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LEGISLATIVE HISTORY

Public Law 395—78th Congress

Chapter 358—2d Session

S. 1718

TABLE OF CONTENTS

Digest of Public Law 395	1
Index and Summary of History on S. 1718	2

DIGEST OF PUBLIC LAW 395

TERMINATED WAR-CONTRACT CLAIMS. Establishes an Office of Contract Settlement to prescribe policies, procedures, etc., to govern the settlement of war contracts. Creates a Contract Settlement Advisory Board consisting of representatives of various Government agencies (not including Agriculture), with a provision for participation of other Government agencies upon the request of the Director of Contract Settlement.

INDEX AND SUMMARY OF HISTORY ON S. 1718

October 14, 1943	Hearings: Senate, S. 1268, Pts. 1 - 7. Problems of Contract Termination.
February 11, 1944	S. 1718, introduced by Senator Murray and was referred to the Senate Committee on Military Affairs. Print of the bill as introduced.
March 6, 1944	Hearings: S. J. Res. 80, Pts. 8 and 9. Problems of Contract Termination.
March 15, 1944	Hearings: House, H. Res. 408. Pt. 1. Contract Termination and Related Matters.
April 4, 1944	Hearings: Senate, S. 1730, Pts. 10 - 16. Problems of Contract Termination.
April 26, 1944	Hearings: Senate, S. 1730, Pts. 1 - 10. Mobilization and Demobilization Problems.
May 2, 1944	Senate Committee on Military Affairs reported S. 1718 with an amendment. Senate Report 836. Print of the bill as reported.
	Remarks of the author, Senator Murray.
May 3, 1944	Senate debated S. 1718.
	Amendment proposed by Senator Kilgore. Print of the amendment.
May 4, 1944	Senate debate concluded. Passed Senate with amendments.
May 5, 1944	S. 1718 referred to the House Committee on the Judiciary. Print of the bill as referred.
June 1, 1944	House Committee on the Judiciary reported S. 1718 with an amendment. House Report 1590. Print of the bill as reported.
June 10, 1944	Rules Committee reported H. Res. 589 for the consideration of S. 1718. House Report 1620.
June 15, 1944	House agreed to the Resolution for the consideration of S. 1718.
June 16, 1944	House debate on S. 1718.

June 17, 1944 Debate continued. Remarks of Reps. Sparkman, Jennings,
and Anderson.

June 19, 1944 Debate concluded. Passed House with amendments.
Remarks of Reps. Sikes, Michener, Sabath, Cochran,
and Celler.
House Conferees appointed.

June 20, 1944 Senate Conferees appointed.
Remarks of Rep. Robison.

June 21, 1944 Both Houses received the Conference Report. House
Report 1708.
Remarks of Rep. Norrell.
Senate agreed to the Conference Report.

June 22, 1944 House agreed to the Conference Report.

July 1, 1944 Approved. Public Law 395.

See also accompanying folder of bills introduced
during the 78th Congress on the subject of war
contract termination.

MR. MURRAY (for himself and Mr. GEORGE) introduced the following bill;
which was read twice and referred to the Committee on Military Affairs

9 (b) to insure to prime contractors and subcon-
10 tractors, small and large, speedy and equitable final
11 settlement of claims under terminated war contracts.

1 and adequate interim financing until such final settle-
2 ment;

3 (c) to insure uniformity among Government
4 agencies in basic policies and administration with re-
5 spect to such termination settlements and interim
6 financing;

7 (d) to use all practicable methods compatible with
8 the foregoing objectives to prevent improper payments
9 and to detect and prosecute fraud.

10 SURVEILLANCE BY CONGRESS

11 SEC. 2. (a) To assist the Congress in appraising the ad-
12 ministration of this Act and in developing such amendments
13 or related legislation as may further be necessary to accom-
14 plish the objectives of the Act, the appropriate committees of
15 the Senate and the House of Representatives shall study each
16 report submitted to the Congress under this Act and shall
17 otherwise maintain continuous surveillance of the operations
18 of the Government agencies under the Act.

19 (b) In January, April, July, and October of each year,
20 the Director shall submit to the Senate and House of Repre-
21 sentatives a quarterly report on the exercise of his duties and
22 authority under this Act, the status of contract terminations,
23 termination settlements, and interim financing and such other
24 pertinent information on the administration of the Act as will

1 enable the Congress to evaluate its administration and the
2 need for amendments and related legislation.

3 DEFINITIONS

4 SEC. 3. As used in this Act—

5 (a) The term “prime contract” means any contract,
6 agreement, or purchase order entered into by a contracting
7 agency and connected with or related to the prosecution of
8 the war; and the term “prime contractor” means any holder
9 of one or more prime contracts.

10 (b) The term “subcontract” means any contract, agree-
11 ment, or purchase order connected with or related to the
12 performance of any prime contract or of any other subcon-
13 tract; and the term “subcontractor” means any holder of
14 one or more subcontracts.

15 (c) The term “war contract” means a prime contract
16 or a subcontract or both; and the term “war contractor”
17 means any holder of one or more war contracts.

18 (d) The terms “termination”, “terminate”, and “ter-
19 minated” mean the termination or cancelation, in whole or
20 in part, of work under a prime contract for the convenience
21 or at the option of the Government (except for default of
22 the prime contractor) or of work under a subcontract for any
23 reason except the default of the subcontractor.

24 (e) The term “material” includes any article, com-

1 modity, equipment, accessory, part, assembly, or product of
2 any kind.

3 (f) The term "Government agency" means any execu-
4 tive department of the Government, or any administrative
5 unit or subdivision thereof, any independent agency in the
6 executive branch of the Government, and any corporation
7 owned or controlled by the United States, and includes any
8 contracting agency.

9 (g) The term "contracting agency" means any Gov-
10 ernment agency which has been or hereafter may be
11 authorized to make contracts pursuant to section 201 of the
12 First War Powers Act, 1941, and the Reconstruction
13 Finance Corporation and its subsidiaries, and the Smaller
14 War Plants Corporation.

15 (h) The term "termination claim" means any claim by
16 a war contractor under a terminated war contract.

17 (i) The term "interim financing" includes advance or
18 partial payments, loans, discounts, or advances or commit-
19 ments in connection therewith, and guarantees of loans, dis-
20 counts, or advances or commitments in connection there-
21 with and any other type of financing related to termination
22 settlements.

23 (j) The term "Director" means the Director of Con-
24 tract Settlement.

25 (k) The term "person" means any individual, corpora-

1 tion, partnership, firm, association, trust, estate, or other
2 entity.

3 DIRECTOR OF CONTRACT TERMINATION SETTLEMENT

4 SEC. 4. (a) There is hereby established the Office of
5 Contract Settlement which shall be headed by the Director
6 of Contract Settlement. The Director shall be appointed by
7 the President, by and with the consent of the Senate, and
8 shall receive compensation at the rate of \$12,000 per year.

9 (b) The Director shall perform his functions to the full-
10 est extent feasible through the personnel and facilities of
11 the contracting agencies and other established Government
12 agencies.

13 (c) The Director may prescribe regulations to carry out
14 any of the provisions of this Act, and such regulations shall
15 be binding on any Government agency to the extent that it
16 is subject to this Act. Each such agency shall carry out such
17 regulations expeditiously and may make such further regu-
18 lations as it deems necessary to carry out the provisions of
19 this Act or any regulations of the Director.

20 (d) The Director may, within the limits of funds which
21 may be made available, employ necessary personnel without
22 regard to the provisions of the civil-service laws and the
23 Classification Act of 1923 and make expenditures for supplies,
24 facilities, and services necessary for the performance of his
25 functions under this Act.

1 CONTRACT SETTLEMENT ADVISORY BOARD

2 SEC. 5. There is hereby created a Contract Settlement
3 Advisory Board, with which the Director shall advise and
4 consult. The Board shall be composed of the Director, who
5 shall act as its Chairman, and of the Secretary of War, the
6 Secretary of the Navy, the Secretary of the Treasury, the
7 Chairman of the Maritime Commission, the Administrator of
8 the Foreign Economic Administration, the Chairman of the
9 Board of Reconstruction Finance Corporation, the Chairman
10 of the War Production Board, the Chairman of the Board
11 of Smaller War Plants Corporation, and the Attorney Gen-
12 eral, or any alternate or representative designated by any of
13 them. The Director shall request other Government agen-
14 cies to participate in the deliberations of the Board whenever
15 matters specially affecting them are under consideration.

16 SETTLEMENT OF TERMINATION CLAIMS

17 SEC. 6. (a) It is the policy of the Government to in-
18 sure to every war contractor fair compensation for the termi-
19 nation of any war contract, including reasonable expenses
20 incident to termination and settlement, reasonable expenses
21 of removing and storing materials, and such allowance for
22 profit on the work done on the uncompleted part of the
23 contract as is reasonable under the circumstances, plus inter-
24 est on the termination claim in accordance with subsection
25 (c) of this section. Where any war contract does not pro-

1 vide for such fair compensation at the time of its termination,
2 the contracting agency, subject to regulations of the
3 Director, shall amend such war contract by agree-
4 ment with the war contractor, or shall authorize, ap-
5 prove, or ratify an amendment of such war contract by the
6 parties thereto, to provide for such fair compensation.

7 (b) Subject to regulations of the Director, any con-
8 tracting agency may settle any termination claim under any
9 war contract by agreement with the war contractor or by
10 determination of the amount due on the claim without such
11 agreement, or by any combination of these methods. Where
12 any such settlement is made by agreement, it shall be final and
13 conclusive and shall not be reopened, annulled, modified, set
14 aside, or disregarded by any officer, employee, or agent of the
15 United States, or in any suit, action, or proceeding, except
16 (1) to the extent otherwise provided by the terms of the
17 settlement; (2) for fraud; (3) upon renegotiation to elimi-
18 nate excessive profits under the Renegotiation Act, unless
19 exempt or exempted thereunder; or (4) by mutual agree-
20 ment. Where any such settlement is made by determination
21 without agreement, it shall likewise be final and conclusive to
22 the same extent, unless the war contractor appeals, submits
23 to arbitration, or brings suit in accordance with section 13 of
24 this Act.

25 (c) Each contracting agency shall allow and pay interest

1 on the unpaid balance of any termination claim under a prime
2 contract at the rate of 3 per centum per annum for the
3 period beginning sixty days after the date of filing of the
4 claim, in substantially the form prescribed under this Act,
5 and ending with the date of final payment, except that
6 (1) if the contractor unreasonably delays the settlement
7 of his claim, payment of interest shall be suspended for
8 the period of such delay, and (2) if interest on any advance
9 payment or loan, made or guaranteed by the Government,
10 has been waived for the benefit of the contractor during
11 the period after termination, the amount of interest so waived
12 shall be deducted from the interest otherwise payable here-
13 under. In approving, ratifying, authorizing, or making termi-
14 nation settlements with subcontractors, each contracting
15 agency shall allow interest on the termination claim of the
16 subcontractor on the same basis applicable to a prime con-
17 tractor. The Director may prescribe regulations to govern
18 the computation of interest under this subsection.

19 SEC. 7. (a) The Director, by regulation, shall prescribe
20 policies to govern the settlement of termination claims. Sub-
21 ject to regulations of the Director, each contracting agency
22 shall establish methods, suitable to the conditions of various
23 classes of war contractors, for determining fair compensation
24 for the termination of war contracts on the basis of actual,
25 standard, average, or estimated costs, or of a percentage of the

1 contract price based on the percentage of completion of work
2 under the terminated contract, or on any other basis, as it
3 deems appropriate.

4 (b) Where, in connection with the settlement of his
5 termination claim by a contracting agency, any war contractor
6 makes settlements of the termination claims of his subcon-
7 tractors, the contracting agency shall limit its review of such
8 settlements with subcontractors to the minimum amount com-
9 patible with the public interest. Subject to regulations of the
10 Director, any contracting agency (1) may approve, ratify, and
11 authorize such settlements with subcontractors upon such evi-
12 dence, terms, and conditions as it deems proper; (2) shall vary
13 the scope and intensity of its review of such settlements ac-
14 cording to the reliability of the war contractor, the size, num-
15 ber, and complexity of such claims, and other relevant factors;
16 and (3) shall authorize war contractors to make such settle-
17 ments with subcontractors without review by the contracting
18 agency, whenever the reliability of the war contractor, the
19 amount or nature of the claims, or other reasons appear to
20 justify such action. The Director shall prescribe policies and
21 standards to govern the contracting agencies in approving,
22 ratifying, and authorizing such settlements in order to insure
23 that their review of such settlements for these purposes is
24 limited or omitted to the maximum extent compatible with

1 the public interest. Any such settlement of a subcontract
2 approved, ratified, or authorized by a contracting agency
3 shall be conclusive and binding upon the United States to the
4 same extent as a settlement under subsection (b) of section
5 7 of this Act, and the war contractor making it shall not be
6 liable thereon except for his own fraud.

7 (c) Subject to regulations of the Director, any contract-
8 ing agency shall exercise supervision or control over pay-
9 ments to prime contractors on account of termination claims
10 of subcontractors to such extent and in such manner as it
11 deems necessary or desirable to insure the receipt of the
12 benefit of such payments by the subcontractors.

13 (d) The Director, by regulations, shall prescribe poli-
14 cies and methods for the settlement by any contracting
15 agency of some or all of the termination claims of a war
16 contractor under contracts with one or more (1) bureaus
17 or divisions within a contracting agency, (2) contracting
18 agencies, or (3) prime contractors and subcontractors, to
19 the extent he deems such action necessary or desirable for
20 expeditious and equitable settlements of such claims. The
21 Director may assign any war contractor to a contracting
22 agency for such settlement.

23 (e) Subject to regulations of the Director, any contract-
24 ing agency may settle directly termination claims of sub-
25 contractors to the extent that it deems such action necessary

1 or desirable for the expeditious and equitable settlement of
2 such claims. In making such termination settlements any
3 contracting agency may discharge the claim of the subcon-
4 tractor by payment or may purchase such claim, and may
5 agree to assume, or indemnify the subcontractor against, any
6 claims by any person in connection with such claim or the
7 termination settlement.

8 (f) Whenever the insolvency or bankruptcy of a war
9 contractor, or termination of his war contract for de-
10 fault deprives his subcontractor of fair compensation
11 for the termination of a subcontract, the contracting agency
12 concerned may make such additional payment to such
13 subcontractor as is necessary to provide such fair compen-
14 sation. The Director shall prescribe standards, terms, and
15 conditions to govern the exercise of this authority, and may
16 direct such payments in such classes of cases as he deems
17 proper.

18 INTERIM FINANCING

19 SEC. 8. (a) It is the policy of the Government to insure
20 adequate interim financing, within thirty days after applica-
21 tion therefor, to every war contractor having a termination
22 claim or claims, pending their settlement.

23 (b) In order to carry out this policy, the Director, by
24 regulations, shall prescribe methods for providing to any war

1 contractor during the period between termination and settle-
2 ment of one or more war contracts—

3 (1) interim financing under this Act representing
4 not less than 90 per centum of the amount of his termi-
5 nation claim or claims, after deducting all liabilities to
6 subcontractors and such advances, partial payments, and
7 loans, previously made or guaranteed by the Govern-
8 ment, as are available to such war contractor upon
9 substantially the same terms and conditions as interim
10 financing under this section;

11 (2) such additional interim financing as the Director
12 deems necessary or desirable.

13 (c) The Director, by regulations, shall prescribe (1)
14 the types of estimates, certificates, or other evidence to be
15 required to support such interim financing; (2) the terms
16 and conditions upon which such interim financing shall be
17 made; (3) the classes of cases in which such interim
18 financing shall be refused; and (4) such methods of
19 supervision and control over such interim financing as he
20 deems necessary or desirable to assure adequate and speedy
21 interim financing to subcontractors of the war contractor.

22 (d) Whenever the amount of the termination claim or
23 claims as stated by any war contractor for the purpose of
24 obtaining interim financing under this section exceeds the
25 amount finally determined to be due on such claim or

1 claims, and the war contractor thereby obtains interim
2 financing in excess of the amount he would otherwise have
3 obtained, the war contractor shall be liable to the United
4 States for a penalty on such excess interim financing. The
5 contracting agency shall determine the amount of such excess
6 interim financing, subject to regulations of the Director.
7 The penalty shall be computed at the rate of 12 per centum
8 per annum and for the period from the date such excess
9 interim financing is received to the date on which such
10 excess is repaid or extinguished. The obligation to pay
11 such penalty and to repay any interim financing under this
12 section shall constitute a debt due to the United States
13 within the meaning of Revised Statutes, section 3466 (31
14 U. S. C., sec. 191).

15 (e) Subject to regulations of the Director, each con-
16 tracting agency shall allow advance payments, previously
17 authorized in connection with the performance of a war
18 contract, to be used for expenses related to the termination
19 settlement of such contract, to such extent and upon such
20 terms as it deems appropriate.

21 (f) Subject to regulations of the Director, no interim
22 financing made by any contracting agency under this Act
23 shall extend beyond the settlement of the termination claim
24 or claims of the war contractor involved, and such period

1 thereafter as the contracting agency deems necessary for the
2 liquidation of such interim financing in an orderly manner.

3 SEC. 9. (a) Subject to regulations of the Director, any
4 contracting agency may make partial payments to any war
5 contractor on account of any termination claim or claims, and
6 may authorize, approve, or ratify any such partial payments
7 by any war contractor to his subcontractors.

8 (b) Where any partial payment is made to any war con-
9 tractor by any contracting agency or by another war contrac-
10 tor under this section, the provisions of subsection (d) of sec-
11 tion 8 shall apply to such payment. Any excess payment
12 shall be treated as a loan from the Government to the war
13 contractor receiving it, and shall be payable upon demand.
14 Where the partial payment was made by a war contractor and
15 authorized, approved, or ratified by the Government, the
16 war contractor making it shall not be liable for any excess
17 payment in the absence of fraud on his part and shall receive
18 payment or credit from the Government for the amount of
19 such excess payment.

20 SEC. 10. (a) Subject to regulations of the Director, any
21 contracting agency is authorized—

22 (1) to enter into contracts with any Federal Re-
23 serve bank, or other public or private financing institu-
24 tion, guaranteeing such financing institution against loss
25 of principal or interest on loans, discounts, or advances

1 or on commitments in connection therewith, which such
2 financing institution may make to any war contractor
3 or to any person who is or has been engaged in perform-
4 ing any operation deemed by such contracting agency
5 to be connected with or related to war production, for
6 the purpose of financing such war contractor or other
7 person in connection with the termination of one or more
8 such war contracts or operations;

9 (2) to make, enter into contracts to make, or to
10 participate with any Government agency, any Federal
11 Reserve bank or private financing institution in making
12 loans, discounts, or advances, or commitments in connec-
13 tion therewith, for the purpose of financing any such war
14 contractor or other person in connection with the termi-
15 nation of such war contracts or operations.

16 (b) Subject to regulations of the Director, any such
17 loan, discount, advance, guaranty, or commitment in con-
18 nection therewith shall be secured, if the contracting agency
19 concerned deems it reasonably practicable, by either assign-
20 ment of, or covenants to assign, the rights of such war con-
21 tractor or other person in connection with the termination of
22 such war contracts or operations, or in such other manner
23 as the contracting agency may prescribe.

24 (c) Subject to such regulations as the Board of Gover-
25 nors of the Federal Reserve System may prescribe with the

1 approval of the Director, any Federal Reserve bank is au-
2 thorized to act, on behalf of the contracting agencies, as fiscal
3 agent of the United States in carrying out the purposes of
4 this Act.

5 (d) This section shall not limit or affect any authority
6 of any contracting agency, under any other statute, to make
7 loans, discounts, or advances, or commitments in connection
8 therewith or guarantees thereof.

9 ADVANCE NOTICE

10 SEC. 11. (a) In order to facilitate the efficient use of
11 materials, manpower, and facilities for war and civilian pur-
12 poses, it is the policy of the Government to provide war
13 contractors with notice of termination of their war contracts
14 as far in advance of the cessation of work thereunder as is
15 feasible and consistent with the national security.

16 (b) To carry out this policy, subject to regulations of
17 the Director, each contracting agency shall—

18 (1) provide war contractors, to the fullest extent
19 feasible, with notice of termination of any war contract
20 at least thirty days in advance of the cessation of work
21 thereunder;

22 (2) permit the completion of work in process under
23 a terminated contract wherever such completion will
24 result in a saving to the Government;

25 (3) permit the continuation of work under a

terminated contract for the purpose of avoiding injury to plant and material; and

(4) protect war contractors against any additional costs and expenses resulting from any failure of the contracting agency to give notice of termination at least thirty days in advance of the cessation of work under the terminated contract.

(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies.

REMOVAL AND STORAGE OF MATERIALS

SEC. 12. (a) It is the policy of the Government, upon the termination of any war contract, to insure the expeditious removal from the plant of the war contractor of all materials which relate to such terminated war contract and for which the Government is responsible.

(b) To carry out this policy, subject to regulations of the Director, each contracting agency shall provide—

(1) for the submission by the war contractor to the contracting agency of statements, in such form and detail as it may prescribe, showing the materials related to a terminated war contract for which the Government is responsible;

(2) for the removal of such materials by the con-

tracting agency within thirty days after the submission
of such statements or within such longer period as the
war contractor may agree;

4 (3) for the removal and storage of such materials
5 by the war contractor at the risk and expense of the
6 Government upon the failure of the contracting agency
7 so to remove them.

8 (c) The Director shall have no authority under this Act
9 to regulate or control in any way the sale or other disposition
10 of any materials by a contracting agency or by any war
11 contractor.

12 APPEAL

13 SEC. 13. (a) Whenever any war contractor has sub-
14 mitted a termination claim, in substantially the form pre-
15 scribed under this Act, to the contracting agency respon-
16 sible for settling it, and such claim has not been settled by
17 agreement with the contracting agency, or only a part of
18 such claim has been so settled, the contracting agency shall
19 prepare written findings of the amount due on such claim
20 or the unsettled part thereof, and shall deliver a copy of the
21 findings to the war contractor within sixty days from the
22 date of a demand for such findings by the war contractor.

(b) Whenever any war contractor is aggrieved by the findings of a contracting agency or by its failure to make such

1 findings in accordance with subsection (a) of this section,
2 he may, at his election—

3 (1) appeal to the Appeal Board or an umpire in
4 accordance with subsection (d) of this section; or

5 (2) submit such claim or such part thereof, to
6 arbitration in accordance with subsection (e) of this
7 section; or

8 (3) bring suit against the United States for such
9 claim or such part thereof, in the Court of Claims or in
10 a United States district court, in accordance with sub-
11 section (20) of section 24 of the Judicial Code (28 U.
12 S. C. 41 (20)).

13 (c) Any proceeding under subsection (b) of this sec-
14 tion shall be governed by the following conditions:

15 (1) A war contractor shall not be required to
16 appeal from such findings within the contracting agency
17 concerned before proceeding under subsection (b) of
18 this section, but may do so in his discretion.

19 (2) If a war contractor does not initiate proceedings
20 in accordance with subsection (b) of this section within
21 ninety days after delivery to him of the findings by the
22 contracting agency, or in case of failure to deliver such
23 findings, within one year after his demand therefor, he
24 shall be precluded thereafter from initiating any pro-

1 ceedings in accordance with subsection (b) of this sec-
2 tion, and the findings of the contracting agency shall be
3 final and conclusive, or if no findings were made, he shall
4 be deemed to have waived such termination claim.

5 (3) Notwithstanding any contrary provision in any
6 war contract, the Appeal Board, umpire, arbitrators, or
7 court shall not be bound by the findings of the contracting
8 agency, but shall treat such findings as prima facie
9 correct, and the burden shall be on the war contractor
10 to establish that the amount due on his claim exceeds
11 the amount allowed by the contracting agency. The
12 Appeal Board, umpire, arbitrators, or court may in-
13 crease or decrease the amount allowed by the contracting
14 agency.

15 (4) When a war contractor has initiated such pro-
16 ceedings by one method under subsection (b) of this
17 section, he shall be precluded from initiating proceedings
18 by any other method thereunder.

19 (5) Any such proceedings shall not affect the
20 authority of the contracting agency concerned to make
21 a settlement of the termination claim or any part thereof,
22 by agreement with the war contractor at any time before
23 such proceedings are concluded.

24 (d) (1) The Director shall appoint an Appeal Board
25 composed of not less than three and not more than nine

1 members, to sit in the city of Washington, and one or more
2 umpires to sit in each judicial district, to hear appeals under
3 this section. The Board may sit in sections of not less than
4 three members. The Director shall designate the members
5 of the Appeal Board and the umpires, and shall fix their
6 term of office and compensation.

7 (2) The Director shall prescribe the practice and pro-
8 cedure to govern proceedings before the Appeal Board and
9 the umpires, or may authorize the Appeal Board to pre-
10 scribe such practice and procedure. The Appeal Board and
11 any umpire shall have power to compel the attendance of
12 witnesses and the production of evidence in accordance with
13 regulations of the Director. Subject to the direction of the
14 Director, the Appeal Board shall supervise the proceedings
15 of the umpires, but shall have no power to review their deci-
16 sions. The decision of the Appeal Board or of any section
17 of the Board, or of an umpire, shall be final and shall not
18 be subject to review by any court or other agency.

19 (e) When a termination claim is submitted to arbitra-
20 tion in accordance with this section, the arbitration proceed-
21 ing shall be governed by the United States Arbitration Act
22 to the same extent as if authorized by an effective agreement
23 in writing between the Government and the war contractor
24 for such arbitration upon the conditions specified in subsection
25 (c) of this section.

1 (f) Whenever any dispute exists between any war con-
2 tractor and a subcontractor regarding any termination claim,
3 either of them by agreement with the other, may submit the
4 dispute—

5 (1) to the Appeal Board or an umpire in accord-
6 ance with subsection (d) of this section;

7 (2) to a contracting agency for mediation or arbi-
8 tration in accordance with regulations which shall be pre-
9 scribed by the Director.

10 (g) The Director shall prescribe regulations to carry
11 out the provisions of this section.

12 COURT OF CLAIMS

13 SEC. 14. (a) For the purpose of expediting the adjudi-
14 cation of termination claims, the Court of Claims is author-
15 ized to appoint not more than twenty commissioners in
16 addition to those provided for by the Act of February 24,
17 1925 (ch. 301, 43 Stat. 964), as amended by the Act of
18 June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions
19 of said Acts shall apply to such additional commissioners in
20 all respects as if they had been appointed thereunder without
21 limitation as to nature of duties which they may be called
22 upon to perform.

23 (b) The Attorney General, under such rules as the
24 Court of Claims shall prescribe, may cause any and all
25 persons with legal capacity to sue and be sued, wherever

1 located, actually to be notified, or on specific order of
2 the court, to be notified by publication, and if within the
3 jurisdiction of the United States, at the discretion of the
4 Attorney General, to be served with subpoena, to appear as a
5 party or parties in any suit or proceeding of any nature
6 whatsoever pending in said court and to assert and defend
7 their interests, if any, in such suits or proceedings, within
8 such period of time prior to judgment as the Court of Claims
9 shall prescribe. Upon failure so to appear, any and all
10 claims or interests in claims of any such person against the
11 United States, in respect of the subject matter of such suit
12 or proceeding, shall forever be barred and the court shall
13 have jurisdiction to enter judgment pro confesso upon any
14 claim or contingent claim asserted on behalf of the United
15 States against any party who, having been duly served with
16 subpoena, fails to respond thereto, to the same extent and with
17 like effect as if such party had appeared and had admitted
18 the truth of all allegations made on behalf of the United
19 States. Upon appearance by any party pursuant to any
20 such notice or subpoena, the case as to such party shall, for
21 all purposes, be treated as if an independent proceeding had
22 been instituted by such party pursuant to section 145 of the
23 Judicial Code, as amended, and as if such independent pro-
24 ceeding had then been consolidated, for purposes of trial and
25 determination, with the case in respect of which the notice

1 or subpoena was issued, except that the United States shall
2 not be heard upon any counterclaims, claims for damages or
3 other demands whatsoever against such party, other than
4 claims and contingent claims for the recovery of money here-
5 after paid by the United States in respect of the transaction
6 or matter which constitutes the subject matter of such case,
7 unless and until such party shall assert therein a claim, or
8 an interest in a claim, against the United States, and the
9 Court of Claims shall have jurisdiction to adjudicate, as
10 between any and all adverse claimants, their respective
11 several interests in any matter in suit and to award several
12 judgments in accordance therewith.

13 (c) The jurisdiction of the Court of Claims shall not
14 be affected by this Act except to the extent necessary to
15 give effect to this section, and no party shall recover judg-
16 ment on any claim, or on any interest in any claim, in
17 said court which such party would not have had a right
18 to assert if this section had not been enacted.

19 **PERSONAL FINANCIAL LIABILITY**

20 **SEC. 15. (a)** Whenever any payment is made from
21 Government funds to any war contractor or other person
22 as a partial or final payment of the amount due on any
23 termination claim or pursuant to any loan, guaranty, or
24 agreement for the purchase of any loan entered into by
25 the Government, no officer or other Government agent

1 authorizing or approving such payment or settlement, or
2 certifying the voucher for such payment, or making the
3 payment in accordance with a duly certified voucher, shall
4 be personally liable for such payment in the absence of
5 fraud or bad faith on his part. In settling the accounts of
6 any disbursing officer the General Accounting Office shall
7 allow any such disbursements made by him notwithstanding
8 any other provisions of law.

9 (b) For the purpose of making termination settlements
10 or interim financing any Government agency is authorized,
11 subject to any regulations prescribed by the Director, to
12 rely upon such certificates of war contractors as it deems
13 proper and to permit war contractors and other persons to
14 rely upon such certificates without financial liability in the
15 absence of fraud on their part.

16 THE GENERAL ACCOUNTING OFFICE

17 SEC. 16. The General Accounting Office is authorized
18 to examine all records of any contracting agency relating
19 to the settlement of any termination claim after the final
20 settlement of such claim. Any other provision of law not-
21 withstanding, the function of the General Accounting Office
22 with respect to any termination settlement made, author-
23 ized, ratified, or approved by a contracting agency shall
24 be confined to an examination of the records of the con-

1 tracting agency for the purpose of determining (1) whether
2 the settlement payments to the war contractor were made
3 in accordance with the terms of settlement, and (2) whether
4 such records or other information warrant a reasonable belief
5 that the settlement was induced by fraud. Whenever the
6 General Accounting Office believes that any settlement was
7 induced by fraud, the Comptroller General of the United
8 States shall report all of the facts relating thereto to the
9 Congress, to the Director, to the Department of Justice, and
10 to the contracting agency concerned, but shall not suspend
11 or withhold, or direct or require any contracting agency to
12 suspend or withhold, by set-off or otherwise, any amounts
13 owing to the war contractor by the United States under
14 such settlement or otherwise and shall not suspend credit
15 to any disbursing officer for any disbursements made by him
16 under such settlement. In any such case the contracting
17 agency on its own initiative may, or upon order of the
18 Director shall, take such action as it deems appropriate to
19 recover or withhold payments to such war contractor.

20 DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

21 SEC. 17. (a) Where any person has arranged to fur-
22 nish or furnished to a contracting agency or to a war con-
23 tractor any materials, services, or facilities related to the
24 prosecution of the war, relying in good faith upon the

1 apparent authority of an officer or agent of a contracting
2 agency, a letter of intent, written or oral instructions, or
3 any other request to proceed from a contracting agency, the
4 contracting agency shall pay such person fair compensation
5 therefor subject to regulations of the Director.

6 (b) Subject to regulations of the Director, whenever
7 any formal or technical defect or omission in any prime con-
8 tract, or in any grant of authority to an officer or agent of
9 a contracting agency who ordered any materials, services,
10 and facilities might invalidate the contract or commitment,
11 the contracting agency (1) shall not take advantage of
12 such defect or omission; (2) shall amend, confirm, or ratify
13 such contract or commitment without consideration in order
14 to cure such defect or omission; and (3) shall make a fair
15 settlement of any obligation thereby created or incurred by
16 such agency whether expressed or implied, in fact or in law,
17 or in the nature of an implied or quasi contract.

18 (c) Where a contracting agency fails to agree on a
19 settlement of any claim asserted under this section, the
20 dispute shall be subject to the provisions of section 13 of
21 this Act.

22 (d) The Director shall require each contracting agency
23 to formalize all such obligations and commitments within
24 such period as the Director deems appropriate.

RECORDS, FORMS, AND REPORTS

1 RECORDS, FORMS, AND REPORTS
2 SEC. 18. (a) The Director shall establish policies for
3 such supervision and review within the contracting agencies
4 of termination settlements and interim financing as he deems
5 necessary and appropriate to prevent and detect fraud and to
6 insure uniformity in administration. For this purpose he shall
7 prescribe the records to be prepared by the contracting agen-
8 cies and by war contractors in connection with such settle-
9 ments and interim financing. He shall seek to reduce the
10 amount of record keeping, reporting, and accounting in con-
11 nection with the settlement of termination claims and interim
12 financing to the minimum compatible with the reasonable
13 protection of the public interest. Subject to regulations of
14 the Director, each contracting agency shall prescribe forms
15 for use by war contractors in connection with termination
16 settlements and interim financing to the extent it deems
17 necessary and feasible.

18 (b) The Director shall require the Government agencies
19 performing functions under this Act to prepare such infor-
20 mation and reports regarding terminations of war contracts,
21 settlements of termination claims, and interim financing, as
22 he deems necessary to assist him in appraising their opera-
23 tions or to assist him or other Government agencies in per-
24 forming their functions under this Act, and may prescribe
25 the terms and conditions upon which such information and

1 reports shall be made available to other Government agen-
2 cies. The Director may require any Government agency to
3 furnish such information under its control as he deems neces-
4 sary for the performance of his functions under this Act.

5 (c) The Director, by regulations, shall provide for mak-
6 ing available to the War Production Board, the War Man-
7 power Commission, and any other interested Government
8 agency, such advance notice and other information on cut-
9 backs in war production resulting from terminations or fail-
10 ures to renew or extend war contracts, as he deems necessary
11 and appropriate.

12 (d) The Director shall report to the Department of
13 Justice any information received by him indicating any
14 fraudulent practices in connection with termination settle-
15 ments and interim financing, and may require the Depart-
16 ment of Justice or any other Government agency to make
17 such investigations as he deems necessary or desirable to
18 detect fraud in connection with termination settlements and
19 interim financing.

20 PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

21 SEC. 19. (a) Until five years after the termination of
22 hostilities in the present war as proclaimed by the President,
23 or five years after the final settlement of a war contract
24 involving \$5,000 or more, whichever is the later, except
25 to the extent authorized by the Director, (1) no natural

1 person shall willfully secrete, mutilate, obliterate, or destroy,
2 or cause to be secreted, mutilated, obliterated, or destroyed,
3 any records of a war contractor which relate to the negotia-
4 tion, award, performance, payment for, renegotiation, interim
5 financing, or cancelation or other termination, of such war
6 contract, and (2) no corporation shall fail to preserve all
7 such records within its possession, but a corporation shall
8 not be liable for the accidental nonnegligent loss or destruc-
9 tion of records. The Director may prescribe regulations for
10 the destruction of any such records upon such terms and
11 conditions as he deems appropriate. Any war contractor
12 shall allow any officer or agent of any interested Government
13 agency, the General Accounting Office, or any committee
14 of Congress reasonable access to such records. As used in
15 this subsection, the term "records" includes (but is not
16 limited to) books, ledgers, checks and check stubs, pay-roll
17 data, vouchers, memoranda, correspondence, inspection re-
18 ports and certificates, and interoffice reports and communica-
19 tions. Upon conviction for violation of any of the provisions
20 of this subsection, any corporation shall be fined not more
21 than \$50,000 and any natural person not more than \$10,000
22 or imprisoned for not more than five years, or both.

23 (b) The first section of the Act of August 24, 1942
24 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is
25 amended to read as follows:

1 “The running of any existing statute of limitations ap-
2 plicable to any offense against the laws of the United States
3 (1) involving defrauding or attempts to defraud the United
4 States or any agency thereof whether by conspiracy or not,
5 and in any manner, or (2) committed in connection with
6 the negotiation, procurement, award, performance, payment
7 for, renegotiation, interim financing, or cancelation or other
8 termination, of any contract, subcontract, or purchase order
9 which is connected with or related to the prosecution of the
10 present war, shall be suspended until five years after the
11 termination of hostilities in the present war as proclaimed
12 by the President, or five years after the final settlement of
13 such contract, subcontract, or purchase order, whichever is
14 the later. This section shall apply to acts, offenses, or trans-
15 actions where the existing statute of limitations has not yet
16 fully run, but it shall not apply to acts, offenses, or transac-
17 tions which are already barred by provisions of existing
18 law.”

19 (c) (1) Every person who makes or causes to be
20 made, or presents or causes to be presented to any officer,
21 agent, or employee of any Government agency any claim,
22 bill, receipt, voucher, statement, account, certificate, affidavit,
23 or deposition, knowing the same to be false, fraudulent, or
24 fictitious, or knowing the same to contain or to be based
25 on any false, fraudulent, or fictitious statement or entry, or

1 who shall cover up or conceal any material fact, or who
2 shall use or engage in any other fraudulent trick, scheme, or
3 device, for the purpose of securing or obtaining, or aiding
4 to secure or obtain, for any person any benefit, payment,
5 compensation, allowance, loan, advance, or emolument from
6 the United States or any Government agency in connection
7 with the termination, cancelation, settlement, payment, nego-
8 tiation, renegotiation, performance, procurement, or award
9 of a contract with the United States or with any other person,
10 and every person who enters into an agreement, combina-
11 tion, or conspiracy so to do, shall forfeit and refund any such
12 benefit, payment, compensation, allowance, loan, advance,
13 and emolument received as a result thereof and shall in
14 addition pay to the United States the sum of \$2,000 for
15 each such act, and double the amount of any damage which
16 the United States may have sustained by reason thereof,
17 together with the costs of suit.

18 (2) The several district courts of the United States,
19 the District of Columbia, the several district courts of the
20 Territories of the United States, within whose jurisdictional
21 limits the person, or persons, doing or committing such act,
22 or any one of them, resides or shall be found, shall, whereso-
23 ever such act may have been done or committed, have full
24 power and jurisdiction to hear, try, and determine such suit,
25 and such person or persons as are not inhabitants of or found

1 within the district in which suit is brought may be brought
2 in by order of the court to be served personally or by
3 publication or in such other reasonable manner as the court
4 may direct.

5 (d) The provisions of section 35-A of the Criminal
6 Code (18 U. S. C., sec. 80) shall apply to any statement,
7 representation, bill, receipt, voucher, roll, account, claim,
8 certificate, affidavit, or deposition made or used or caused
9 to be made or used for any purpose under this Act or under
10 any regulations pursuant to this Act.

11 GENERAL PROVISIONS

12 SEC. 20. (a) Subject to regulations of the Director,
13 each contracting agency shall have authority (1) to make
14 any contract necessary and appropriate to carry out the pro-
15 visions of this Act, (2) to amend by agreement any existing
16 contract, either before or after notice of its termination, on
17 such terms and to such extent as it deems proper; and
18 (3) in settling any termination claim, to agree to assume,
19 or indemnify the war contractor against, any claims by any
20 person in connection with such termination claims or
21 settlement. This subsection shall not limit or affect in any
22 way any authority of any contracting agency under the
23 First War Powers Act, 1941, or under any other statute.

24 (b) The Director, by regulations, shall prescribe the
25 amount and kind of evidence required to identify any person

1 as a war contractor, or any contract, agreement, or purchase
2 order as a war contract for any of the purposes of this Act.
3 To the extent provided in such regulations, any determina-
4 tion, made in accordance with such regulations, that any
5 person is a war contractor, or that any contract, agreement,
6 or purchase order is a war contract, shall be final and con-
7 clusive for any of the purposes of this Act.

8 (c) There are hereby authorized to be appropriated such
9 sums as may be necessary for administering the provisions
10 of this Act.

11 (d) All policies and procedures relating to termination
12 of war contracts, termination settlements, and interim financ-
13 ing, prescribed by the Director of War Mobilization or any
14 contracting agency, and in effect upon the effective date of
15 this Act, shall remain in full force and effect unless and until
16 superseded by regulations prescribed by the Director in
17 accordance with this Act, or by the contracting agency with
18 the approval of the Director.

19 (e) Nothing in this Act shall be deemed to impair or
20 modify any war contract or any term or provision of any
21 war contract, which is otherwise valid, without the consent
22 of the war contractor involved.

23 OTHER FUNCTIONS OF THE DIRECTOR

24 SEC. 21. In addition to his other functions under this
25 Act, the Director shall—

1 (a) promote the training of personnel for termina-
2 tion settlement and interim financing by contracting
3 agencies, war contractors, and financing institutions;

4 (b) collaborate with the Smaller War Plants Cor-
5 poration in protecting the interests of smaller war con-
6 tractors in obtaining fair and expeditious termination
7 settlements and interim financing;

8 (c) promote decentralization of the administration
9 of termination settlements and interim financing by
10 fostering delegation of authority within contracting agen-
11 cies and to war contractors, to the extent he deems
12 necessary and feasible;

13 (d) consult with war contractors through advisory
14 committees or such other methods as he deems appro-
15 priate.

16 USE OF APPROPRIATED FUNDS

17 SEC. 22. Any contracting agency is authorized—

18 (a) to use for the purposes authorized in this Act
19 any funds which have heretofore been appropriated or
20 allocated or which may hereafter be appropriated or
21 allocated to it, or which are or may become available
22 to it, for such purposes or for the purposes of war
23 production or war procurement;

24 (b) to use any such funds appropriated, allocated,
25 or available to it for expenditures for or in behalf of any

1 other contracting agency or corporation for the purposes
2 authorized in this Act;

3 (c) to determine by agreement, joint estimate, or
4 any other method authorized by the Director, the part
5 of any expenditure made pursuant to subsection (b)
6 hereof to be paid by each contracting agency concerned
7 and to make transfers of funds between such contracting
8 agencies accordingly. Transfers of funds between ap-
9 propriations carried upon the books of the Treasury
10 shall be made by the Secretary of the Treasury in
11 accordance with joint requests of the contracting agen-
12 cies involved.

13 **DELEGATION OF AUTHORITY**

14 **SEC. 23.** (a) The Director may delegate any authority
15 and discretion conferred by this Act to the head of any
16 Government agency, and may authorize successive redelega-
17 tions of such authority and discretion, upon such terms and
18 conditions as he may prescribe.

19 (b) Subject to any limitations imposed by the Director,
20 the head of any Government agency may delegate any
21 authority and discretion conferred upon him or his agency
22 by or pursuant to this Act to any officer or employee of
23 such agency or to any other Government agency, and may
24 authorize successive redelegations of such authority and
25 discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon them individually by or pursuant to this Act.

(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute or Executive order.

7 SHORT TITLE

8 SEC. 24. This Act may be cited as the “Contract
9 Settlement Act of 1944”.

A BILL

To provide for the settlement of claims arising from terminated war contracts, and for other purposes.

By Mr. MURRAY and Mr. GEORGE

FEBRUARY 11 (legislative day, FEBRUARY 7), 1944

Read twice and referred to the Committee on Military
Affairs

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

(Issued May 3, 1944, for actions of Monday and Tuesday, May 1 and 2, 1944)

(For staff of the Department only)

A.A.A. grants-in-aid....21	CONTENTS	
A.A.A., tobacco.....1	Housing.....43	Post-war planning.....35
Adjournment.....11	Information.....26	Price control....39, 49, 60
Commodity Credit.....55	Insurance.....35	Priorities.....53, 62
Dairy industry.....42	Labor, farm.....9, 63	Property.....25, 31, 51
Daylight saving.....7, 34	Land acquisition.....20	Puerto Rico.....24
Education.....17	Lands, public.....41	Purchasing.....2, 44
Electrification.....29, 38	Latin-America.....45	Rationing.....50, 6, 1
Farm Credit.....32, 56	Lend-lease.....3, 10, 19	School lunch.....1
Farm Security.....1, 32, 47	Loans, farm.....57	Selective service....9, 42
Fisheries.....13	Machinery, farm.....4	Subsidies.....39, 55
Flood control.....6, 15, 29	Minerals.....37	T.V.A.....27
Food administration.....52, 63	Organic Act of 1944.....1	Taxation.....16, 36, 56, 64
Food distribution.....1, 8, 12, 24, 33, 34, 40	Paper.....44	Transportation.....14
Food production.....35	Personnel.....18, 22, 54	28, 30, 59, 64
Forestry.....23, 48	Plant quarantine.....46	Veterans.....5, 18, 41

SENATE - May 2

1. ORGANIC ACT OF 1944. Passed with amendments the Pace bill, H. R. 4278, which is largely for the purpose of providing substantive legislation for provisions in the Agricultural Appropriation Act which are subject to points of order (pp. 3910-27). Agreed to the committee amendment regarding FSA loans, grants, and rural rehabilitation, with an amendment by Sen. Bankhead, Ala., to limit the authorization to the fiscal years 1945 and 1946, and with an amendment by Sen. Bushfield, S. Dak., to provide that medical-care funds shall not be used so as to prevent patients from having practitioners of their choice (pp. 3923-4). Agreed to the school-lunch amendment with an amendment by Sen. McFarland, Ariz., to authorize the program for the fiscal years 1945 and 1946 (rather than 1945, as the Committee bill provided) (p. 3927). Before agreeing to this amendment, the Senate agreed to an amendment (by Sen. McFarland) to the amendment, striking out the time limitation, so that the authorization would have been permanent; but the question was later reconsidered, at the request of Sen. Taft, Ohio, who then agreed to the compromise amendment to authorize the program for 2 years (pp. 3924-7). Agreed to the committee amendment providing that if tobacco farmers over-plant during 1944-5 not more than 1/5 of an acre or 7 percent, whichever is greater, they shall not be penalized (p. 3924).

Sens. Smith, Russell, Bankhead, Shipstead, and Aiken were appointed Senate conferees on this bill (p. 3927).

2. PURCHASING. S. 1718, to provide for settlement of claims arising from terminated war contracts, was made the unfinished business (p. 3927). Earlier in the day the Military Affairs Committee reported the bill with amendment (S. Rept. 836), and Sen. Murray, Mont., discussed it and inserted a joint statement by himself and Sen. George, Ga. (p. 3935).

3. LEND-LEASE. The Foreign Relations Committee reported without amendment H. R. 4254, to continue the Lend-Lease Act for 1 year (S. Rept. 848) (p. 3886).

4. FARM-MACHINERY INVESTIGATION. Agreed, without amendment, to S. Res. 276, directing the Agriculture and Forestry Committee to investigate the farm-machinery supply situation (p. 3886).

5. VETERANS. Agreed, with amendment, to S. Res. 225, directing the Finance Committee to study problems relating to readjustment of veterans (p. 3886).

- 2-
6. FLOOD CONTROL. Received from this Department a flood-control survey report on Buffalo Creek watershed, N. Y. To Commerce Committee. (p. 3883.)
 7. DAYLIGHT-SAVING TIME. Received from the Okla. Senate a resolution favoring return to standard time (p. 3883).
 8. CORN SALES. Sen. Capper, Kans., criticized the restriction on corn sales and inserted a letter he has received on this subject (pp. 3888-9).
 9. FARM LABOR; SELECTIVE SERVICE. Sen. Capper, Kans., criticized "contradictory statements" by Selective Service regarding deferment of farm laborers and inserted a petition on this subject (p. 3889).
 10. LEND-LEASE. Sen. McKellar, Tenn., inserted a statement and a letter from Lee Crowley giving information regarding lend-lease aid to Mexico (pp. 3890-1).

HOUSE - May 1

11. Adjourned in memory of Secretary Knox (p. 3880).

HOUSE - May 2

12. CORN SITUATION. Rep. Jenkins, Ohio, criticized "government seizure of corn" (p. 3935).
13. FISHERIES. Passed without amendment S. J. Res. 112, authorizing a survey of U. S. fishery resources by the Fish and Wildlife Service (pp. 3939-40). This measure will now be sent to the President.
14. TRANSPORTATION. Received the conference report on H. R. 3261, providing for the return to private ownership of Great Lakes vessels of 1,000 tons or less (pp. 3936-7). The Senate agreed to this report Apr. 28.
15. FLOOD CONTROL. Both Houses received from this Department a flood-control survey report of the Yazoo River, Miss (H. Doc. 564). To House and Senate Flood Control Commerce Committees. (pp. 3883; 3958.)
Received the War Department's flood control survey report on the Pembina River, N. Dak. (H. Doc. 565). To Flood Control Committee. (p. 3958.)
Reps. Cannon, Mo., and Rankin, Miss., urged flood-control projects in the Miss. Valley (pp. 3935-6).
16. TAXATION. Rules Committee reported a resolution for consideration of H. R. 4646 to provide for the simplification of the income-tax return (pp. 3931, 3958).
17. EDUCATION. Rep. Wickersham, Okla., urged support for H. R. 2849, to provide financial aid to States for education (p. 3932).
18. PERSONNEL. Passed without amendment H. R. 1475, to amend the Civil Service Retirement Act so as to prohibit recovery of annuity payments from any annuitant when such recovery would be contrary to equity and good conscience (p. 3944). (Congressional Record incomplete; information checked with House Bill Clerk.)
Passed without amendment H. R. 2782, to grant leaves of absence, not exceeding 15 days, to Government employees who are members of State, etc., military units (pp. 3843-4).
Passed without amendment H. R. 3998, to authorize payments of awards to postal employees for inventions (pp. 3941-2).

John J. Driscoll, of Waterbury, secretary-treasurer of the Connecticut State Industrial Union Council (C. I. O.).

John J. Egan, of Bridgeport, secretary-treasurer of the Connecticut Federation of Labor.

Ashbel G. Gulliver, of New Haven, dean of the Yale University Law School.

Mrs. Lida S. Ives, of Thomaston, national chairman of the home economics department of the National Grange.

Henry R. Luce, of Greenwich, editor of Time, Life, and Fortune magazines.

Dr. James L. McConaughy, of Middletown, national president of United China Relief, former Lieutenant Governor and former president of Wesleyan University.

William J. Pape, of Woodbury, publisher of the Waterbury American and Republican.

Joseph W. Powdrell, of Brooklyn, president of Powdrell & Alexander, Inc., Danielson, manufacturers of curtain fabrics.

Sister Mary Rosa, of West Hartford, dean of St. Joseph's College, secretary.

Dr. Charles Seymour, president of Yale University, chairman.

Igor Sikorsky, of Trumbull, pioneer builder of aircraft and inventor of the helicopter.

Mrs. Richard H. Valentine, of Stafford Springs, housewife.

Albert E. Waugh, of Mansfield, professor of economics at the University of Connecticut.

TERMINATION OF WAR CONTRACTS

Mr. MURRAY. Mr. President, from the Committee on Military Affairs, I report back favorably with an amendment the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, and I submit a report (No. 836) thereon.

The VICE PRESIDENT. Without objection, the report will be received and the bill will be placed on the calendar.

Mr. MURRAY. Mr. President, our committee have under consideration other matters in connection with the post-war planning program, and we were contemplating the advisability of having included in this proposed legislation other important subjects essential in relation to the post-war period; such as unemployment compensation, public works, disposition and utilization of surplus war property, war production cut-backs, resumption of civilian production, and the creation of an over-all planning board to prepare us for full employment after the war.

It was, however, found necessary to report this bill at the earliest possible moment because of exigencies that exist in the country. It seems that approximately \$14,000,000,000 of contracts have been terminated up to date, resulting in a very serious situation confronting not only the prime contractors but the great mass of subcontractors who are affected by that situation.

It seems, furthermore, that some contracts have been terminated now for almost a year, and yet the contractors have been unable to secure settlements of their contracts. Therefore, it was deemed by the committee, as I have said, necessary to report this contract-termination bill at the earliest possible moment. While we recognize, of course, the need for other essential legislation which must come as a part of the reconversion program, we feel that we should immediately act on this proposed legislation

while the other parts of the program are being studied.

The Senator from Georgia [Mr. GEORGE] and I issued a statement in this connection which I ask unanimous consent to have incorporated in the RECORD at this point as a part of my remarks.

The VICE PRESIDENT. Without objection, it is so ordered.

The statement is as follows:

JOINT STATEMENT BY SENATOR WALTER F. GEORGE, CHAIRMAN SENATE SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING, AND SENATOR JAMES E. MURRAY, CHAIRMAN WAR CONTRACTS SUBCOMMITTEE, SENATE COMMITTEE ON MILITARY AFFAIRS

It is our mutual conviction that broad legislation to help achieve full employment after the war must be enacted by the present session of Congress. This is essential if our country is to be fully prepared for peace. It is also essential if our Congress is to discharge its proper functions as a policy-making body and assure a full return to democratic governmental processes in the post-war era.

It is our considered judgment that the following legislation should be enacted during the present session:

I. A BROAD POST-WAR ADJUSTMENT BILL

Two bills of this type are now before the Senate Military Affairs Committee: S. 1730 (GEORGE-MURRAY) and S. 1823 (KILGORE). We are now studying a number of revisions that have been suggested during the recent hearings before the Military Affairs Subcommittee. It is hoped that this over-all legislation can be reported to the floor of the Senate in the very near future.

The contemplated over-all legislation includes provisions setting forth specific congressional policies on cut-backs in war production and on the resumption of civilian production. The recent hearings have revealed a state of confusion on these questions that can be corrected only by legislative action.

Other hearings and investigations of the War Contracts Subcommittee have uncovered the fact that there is still a large amount of waste and extravagance under war contracts, particularly cost-plus-fee contracts. This is a problem of fundamental importance to our plans for post-war employment. Curtailing wasteful practices in war production will lower the cost of the war, reduce our debt burden, lead toward more efficiency in conversion to peace and help us achieve the low price levels that are essential to the development of our post-war markets. Although a separate measure on this subject is now before the subcommittee, consideration is being given to achieving the purposes of this resolution through an appropriate section in the general bill.

The problems of surplus war property and the demobilization of veterans and war workers may also be dealt with in the legislation now being studied.

The revised over-all legislation will also spell out in detail the planning functions of the top war mobilization and post-war adjustment agency. This will be done without duplicating or displacing the planning activities of established Federal agencies and without detracting in any fashion from the planning functions of the Congress. Serious consideration will also be given to appropriate representation in an advisory capacity, for industry, labor, agriculture, and the public.

II. UNEMPLOYMENT COMPENSATION

On April 12, 1944, the Honorable James F. Byrnes, Director of War Mobilization, stressed

¹ Senate Joint Resolution 80, "To prohibit the use of the cost-plus-fixed-fee system of contracting in connection with war contracts," introduced by Senator HOMER FERGUSON, of Michigan.

the necessity for legislation providing Federal assistance to the State unemployment compensation system.

We heartily concur in Justice Byrnes' proposal and will shortly submit a jointly sponsored bill embodying this recommendation. In the Senate, the bill will be referred to the Finance Committee, where the chairman will immediately appoint a subcommittee to work toward prompt reporting of the measure to the floor.

III. CONTRACT TERMINATION

The pending contract-termination legislation meets with general approval and should not be delayed any longer. S. 1718 as amended, which is now to be reported out of the Military Affairs Committee, should be passed promptly by the Senate and the House.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. LA FOLLETTE, from the Committee on Indian Affairs:

H. J. Res. 166. Joint resolution to provide for the disposition of the proceeds to accrue as a result of the interlocutory judgment of the Court of Claims in the suit brought against the United States by the Menominee Tribe of Indians, and for other purposes; with amendments (Rept. No. 838).

By Mr. AUSTIN, from the Committee on Military Affairs:

S. 1834. A bill to amend sections 4 and 5 of the act entitled "An act providing for sundry matters affecting the Military Establishment," approved June 5, 1942 (56 Stat. 314), with respect to the movement, at Government expense, of dependents and household effects of certain military personnel; with amendments (Rept. No. 837).

By Mr. DOWNEY, from the Committee on Military Affairs:

S. 1795. A bill to amend that portion of the act approved June 30, 1906 (34 Stat. 697, 750), authorizing the settlement of accounts of deceased officers and enlisted men of the Army; without amendment (Rept. No. 839).

By Mr. JOHNSON of Colorado, from the Committee on Military Affairs:

S. 1808. A bill to authorize temporary appointment as officers in the Army of the United States of members of the Army Nurse Corps, female persons having the necessary qualifications for appointment in such corps, female dietetic and physical-therapy personnel of the medical department of the Army (exclusive of students and apprentices), and female persons having the necessary qualifications for appointment in such department as female dietetic or physical-therapy personnel, and for other purposes; without amendment (Rept. No. 840).

By Mr. WALSH of Massachusetts, from the Committee on Naval Affairs:

S. 1837. A bill for the relief of Lt. (Jr. Gr.) Hugh A. Shiels, United States Naval Reserve; without amendment (Rept. No. 841);

S. 1838. A bill to provide for reimbursement of certain Navy personnel and former Navy personnel for personal property lost or damaged as the result of fires in quarters occupied by naval construction battalions; without amendment (Rept. No. 842);

S. 1839. A bill to provide for reimbursement of certain Navy personnel for personal property lost or damaged as the result of a fire in quarters at naval advance base depot, Port Hueneme, Calif., on February 6, 1944; without amendment (Rept. No. 843);

S. 1840. A bill to provide for reimbursement of certain Navy personnel and former Navy personnel for personal property lost or damaged as the result of a fire in the bachelor officers' quarters, naval operating base, Argentina, Newfoundland, on January 12, 1943; without amendment (Rept. No. 844);

S. 1841. A bill to provide for the reimbursement of certain Navy personnel and former Navy personnel for personal property lost or damaged as the result of a fire which oc-

occurred on the naval station, Tutuila, American Samoa, on October 20, 1943; without amendment (Rept. No. 845); and

S. 1842. A bill to reimburse certain Marine Corps personnel for personal property lost or damaged as the result of a fire at the marine barracks, naval supply depot, Bayonne, N. J., on April 25, 1943; without amendment (Rept. No. 846).

By Mr. WILSON, from the Committee on Military Affairs:

S. 1809. A bill to remove the limitation on the right to command of officers of the Dental Corps of the Army which limits such officers to command in that corps; without amendment (Rept. No. 847).

By Mr. CONNALLY, from the Committee on Foreign Relations:

H. R. 4254. An act to extend for 1 year the provisions of an act to promote the defense of the United States, approved March 11, 1941, as amended; without amendment (Rept. No. 848).

REPORT ON SURVEY OF CONDITIONS AMONG THE INDIANS (PT. 2 OF REPT. NO. 310)

Mr. THOMAS of Oklahoma, from the Committee on Indian Affairs, submitted a supplemental report, pursuant to Senate Resolution 17, extending Senate Resolution 79, Seventieth Congress, on a survey of conditions among the Indians of the United States, which was ordered to be printed.

MANUFACTURE AND DISTRIBUTION OF FARM MACHINERY

Mr. LUCAS. Mr. President, from the Committee to Audit and Control the Contingent Expenses of the Senate, I report favorably without amendment Senate Resolution 276, and I ask for the immediate consideration of the resolution.

There being no objection, the resolution (S. Res. 276), submitted by Mr. CLARK of Missouri, for himself and Mr. GILLETTE, on March 24, 1944, was considered and agreed to, as follows:

Resolved, That the Committee on Agriculture and Forestry, or any duly authorized subcommittee thereof, is authorized and directed to make a full and complete study and investigation of the present production, means and facilities of production, and plans for future facilities of production for the manufacture of all types of machinery used in the farming industry, including horse- and motor-drawn implements, together with the manufacture of repairs and spare parts for such implements and machinery, and to make inquiry as to resources of supply of materials for such manufacture, and to specifically make investigation of the past, present, and future plans for distribution of farm machinery and the component parts thereof and secure facts as to what portion of the supply of farm machinery has been diverted to uses in areas outside of the United States and its Territories and what policies and plans have been adopted for future foreign distribution of this type of machinery and its parts, and such other inquiries as shall be germane to and pertinent to the development of the facts in the farm-machinery production and distribution industry.

The committee is directed to secure this information for the purpose of use in the preparation and consideration of legislative action to aid the agricultural industry in the Nation.

The committee shall report to the Senate as soon as practicable the results of its studies and investigations, together with its recommendation for such legislative action as is indicated.

For the purposes of this resolution, the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-eighth Congress, to employ such clerical and other assistance, to require by subpoena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to make such investigations, to administer such oaths, to take such testimony, and to incur such expenditures as it deems advisable. The committee is authorized to utilize the services, information, facilities, and personnel of the departments and agencies of the Government. The expenses of the committee, which shall not exceed \$5,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

SPECIAL ASSISTANT, COMMITTEE ON MILITARY AFFAIRS

Mr. LUCAS. Mr. President, from the Committee to Audit and Control the Contingent Expenses of the Senate, I report favorably, without amendment, Senate Resolution 273, and ask unanimous consent for its present consideration. The resolution provides for the sum of \$3,300 to be paid from the contingent fund of the Senate for employment of a special assistant to the Committee on Military Affairs. The resolution provides for a continuance of Senate Resolution 142 agreed to on June 12, 1943. It is apparent that the Appropriations Committee does not want to make a permanent place for this very important employee.

There being no objection, the resolution (S. Res. 273), submitted by Mr. REYNOLDS on March 20, was considered and agreed to, as follows:

Resolved, That Resolution 142, agreed to June 12, 1943, authorizing the Committee on Military Affairs to employ, during the fiscal year beginning July 1, 1943, a special assistant to be paid at the rate of \$3,300 per annum from the contingent fund of the Senate, hereby is continued in full force and effect during the fiscal year beginning July 1, 1944.

RICHARD E. HAGAN

Mr. LUCAS. Mr. President, from the Committee to Audit and Control the Contingent Expenses of the Senate, I report favorably Senate Resolution 284, and ask for its immediate consideration.

The VICE PRESIDENT. Is there objection?

There being no objection, the resolution (S. Res. 284), submitted by Mr. BROOKS on April 24, 1944, was considered and agreed to as follows:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate to Richard E. Hagan, widower of Virginia G. Hagan, late an employee in the office of Senator BROOKS, a sum equal to 6 months' compensation at the rate she was receiving by law at the time of her death, said sum to be considered inclusive of funeral expenses and all other allowances.

READJUSTMENT IN CIVIL LIFE OF VETERANS OF WORLD WAR NO. 2

Mr. LUCAS. Mr. President, from the Committee to Audit and Control the Contingent Expenses of the Senate, I report back favorably with an additional amendment—Senate Resolution 225. It

is a resolution reported by the Committee on Finance asking for \$10,000 to carry on public hearings in connection with problems relating to the readjustment in civil life of veterans of World War No. 2. I ask for the present consideration of the resolution.

The VICE PRESIDENT. Is there objection?

There being no objection, the Senate proceeded to consider the resolution (S. Res. 225), submitted by Mr. CLARK of Missouri on December 21, 1943, which had been reported from the Committee on Finance, with amendments.

The amendments of the Committee on Finance were on page 1, line 11, after the word "thereof" and the comma, to strike out "may" and insert "is authorized"; on page 2, line 8, after the word "advisable" to strike out "within the limits of such funds as shall be set aside for its use by the Committee on Finance or shall be appropriated to it directly by resolution of the Senate"; and on line 14, after the figures "\$10,000," to strike out "in addition to the cost of stenographic services to report such hearings," so as to make the resolution read:

Resolved, That the Committee on Finance, or a subcommittee thereof, is authorized and directed to conduct a study of problems relating to the readjustment in civil life of veterans of World War II, particularly as such problems affect their employment or re-employment. The committee, or a subcommittee thereof, may conduct hearings, public or executive, assemble and publish data, analyses, and shall report to the Senate such findings as it may make from time to time, together with its recommendations, if any, for necessary legislation. For the purpose of this resolution the committee, or a subcommittee thereof, is authorized to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-eighth Congress; to employ such clerical and other assistants; to borrow from Government departments and agencies such special assistance; to require by subpoena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents; to administer such oaths; to take such testimony; and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed \$10,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

The amendments were agreed to.

The amendment of the Committee to Audit and Control the Contingent Expenses of the Senate was on page 2, line 14, to strike out "\$10,000" and insert "\$5,000."

The amendment was agreed to.

The resolution as amended was agreed to.

CONTINUATION OF AUTHORITY FOR GENERAL SURVEY OF INDIAN CONDITIONS

Mr. LUCAS. Mr. President, from the Committee to Audit and Control the Contingent Expenses of the Senate I report back favorably, without amendment, Senate Resolution 243, and ask for its immediate consideration.

The VICE PRESIDENT. Is there objection?

we shall try to make paupers of some children and say to them in effect, "You cannot pay for your lunch" would be an unfortunate democratic situation if put into effect.

Mr. President, I see no reason whatever for the Federal Government to undertake a program of this character. We might as well give every child in the United States a pair of shoes, to be paid for out of the Federal Treasury. There is no distinction that I can see between that and the school-lunch program which is here proposed. The program has been lobbied all over the United States. One of the heads of the Department of Agriculture has been stirring up telegrams and has been active in appearing in a double capacity in order to lobby for this particular program. Jessie W. Harris, a division chief in the Department of Agriculture, has been active. She has sent to persons all over the United States her propaganda in favor of this particular measure. She is also president of the Home Economics Association, and appears in her capacity as such while at the same time being paid by the United States Department of Agriculture.

I believe that we have here a program which Congress has never approved and which has no constitutional purpose whatever. I can see some reason, during wartime when mothers and fathers are working, and when it is difficult to provide lunches, for the Federal Government to take an interest in seeing that children receive the benefits of the proposed program. But as a permanent program following the war I cannot see the slightest interest which the Federal Government should have in this kind of activity. I should be willing to go along with a 1-year or a 2-year program.

During the war we have a special situation in which children are not well cared for, and in which parents are not always able to provide for them. Because of the increase in the cost of living many parents are finding it more difficult to provide for their children. However, once the war is over, I can see no reason for providing for this program unless we are to support all the children of the United States.

I think it would be very unfortunate to extend the program beyond the period of the war. I think it is unfortunate that the issue should have been raised in connection with this bill, which involves many other matters of greater importance, and I feel very strongly that the amendment offered by the Senator from Arizona [Mr. McFARLAND] should be rejected.

Mr. McFARLAND. Mr. President, I will compromise with the Senator on 2 years.

Mr. TAFT. I am willing to agree to 2 years because I am willing to consider it on a war basis. I accept the proposed compromise of the Senator from Arizona.

Mr. McFARLAND. Mr. President, I wish to modify my amendment so as to read, in line 18 on page 15:

The funds appropriated by and pursuant to this section may also be used during the fiscal years ending June 30, 1945 and 1946—

And so forth.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Arizona, as proposed by him to be modified.

The LEGISLATIVE CLERK. On page 15, line 18, in the committee amendment, after the word "fiscal," it is proposed to strike out "year" and insert "years"; and in line 19, after "1945," it is proposed to insert "and 1946."

The PRESIDING OFFICER. The question is on agreeing to the modified amendment of the Senator from Arizona [Mr. McFARLAND] to the committee amendment beginning in line 17 on page 15.

The modified amendment to the committee amendment was agreed to.

The committee amendment as amended was agreed to.

The PRESIDING OFFICER. The bill is before the Senate and open to further amendment. If there be no further amendment to be offered, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill (H. R. 4278) was read the third time and passed.

Mr. SMITH. I move that the Senate insist on its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SMITH, Mr. RUSSELL, Mr. BANKHEAD, Mr. SHIPSTEAD, and Mr. AIKEN conferees on the part of the Senate.

SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS

Mr. GEORGE. Mr. President, I move that the Senate proceed to the consideration of Senate bill 1718. I wish to have it made the unfinished business, but not considered further at this time.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. BARKLEY. Mr. President, I promised the office of the Senator from West Virginia [Mr. KILGORE], who was present a day or two ago, that the bill would not be taken up until he had an opportunity to return, which I understand will be tomorrow.

Mr. GEORGE. It will not be taken up until tomorrow.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Georgia.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Military Affairs with an amendment.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The PRESIDING OFFICER (Mr. JACKSON in the chair) laid before the Senate a message from the President of the United States submitting sundry nominations of postmasters, which was referred to the Committee on Post Offices and Post Roads.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. McCARRAN, from the Committee on the Judiciary:

Harold K. Claypool, of Ohio, to be United States marshal for the southern district of Ohio, vice Charles H. Sisson, deceased;

William M. Lindsay, of Kansas, to be United States marshal for the district of Kansas; and

Elwyn R. Shaw, of Illinois, to be United States district judge for the northern district of Illinois, vice Charles Edgar Woodward, deceased.

By Mr. MURDOCK, from the Committee on the Judiciary:

Byron B. Harlan, of Ohio, to be United States attorney for the southern district of Ohio, vice Leo Calvin Crawford, term expired.

By Mr. CONNALLY, from the Committee on Foreign Relations:

S. Pinkney Tuck, of New York, now a Foreign Service officer of class 1, to be Envoy Extraordinary and Minister Plenipotentiary to Egypt; and

R. Henry Norweb, of Ohio, now Envoy Extraordinary and Minister Plenipotentiary to Portugal, to be Ambassador Extraordinary and Plenipotentiary to Portugal.

By Mr. McKELLAR, from the Committee on Post Offices and Post Roads:

Several postmasters.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will state the nominations on the calendar.

THE JUDICIARY

The legislative clerk read the nomination of Harry O. Arend to be United States attorney for division No. 4 of Alaska.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Edward M. Curran to be United States attorney for the District of Columbia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Brian S. Odem to be United States attorney for the southern district of Texas.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of William R. Smith, Jr., to be United States attorney for the western district of Texas.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of George A. Wright to be United States marshal for the district of Montana.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. BARKLEY. I ask that the President be immediately notified of the confirmation of these nominations.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

The legislative clerk will state the next nomination on the calendar.

DEPARTMENT OF THE TREASURY

The legislative clerk read the nomination of Joseph J. O'Connell, Jr., to be general counsel for the Department of the Treasury.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES TARIFF COMMISSION

The legislative clerk read the nomination of Edgar Bernard Brossard to be a member of the United States Tariff Commission for a term expiring June 16, 1950.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

BUREAU OF INTERNAL REVENUE

The legislative clerk read the nomination of George J. Schoeneman to be Assistant Commissioner of Internal Revenue.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

NATIONAL HOUSING AGENCY

The legislative clerk read the nomination of Philip M. Klutznick to be Administrator of the United States Housing Authority.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

COLLECTOR OF INTERNAL REVENUE

The legislative clerk read the nomination of Joseph P. Marcelle to be collector of internal revenue for the first district of New York.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

COLLECTORS OF CUSTOMS

The legislative clerk read the nomination of Paul R. Leake to be collector of customs for customs collection district No. 28.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Martin O. Bement to be collector of customs for customs collection district No. 9.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Austin J. Mahoney to be collector of customs for customs collection district No. 8.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. BARKLEY. I ask unanimous consent that the President may be immediately notified of all these confirmations.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

The clerk will state the next nomination on the calendar.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask unanimous consent that the nominations of postmasters be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the postmaster nominations are confirmed en bloc.

Mr. BARKLEY. I ask unanimous consent that the President be immediately notified of these confirmations.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

That completes the calendar.

RECESS

Mr. BARKLEY. As in legislative session, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p. m.) the Senate took a recess until Wednesday, May 3, 1944, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 2 (legislative day of April 12), 1944:

POSTMASTERS

The following-named persons to be postmasters:

ARIZONA

Jeanette Mae Collins, Dateland, Ariz. Office became Presidential July 1, 1943.

ARKANSAS

M. Evorie Kirkham, Delight, Ark., in place of G. L. Webb, resigned.

CALIFORNIA

Henry I. Holrup, Bolinas, Calif. Office became Presidential July 1, 1943.

Roy A. Smith, Eldridge, Calif., in place of A. E. Schieck, deceased.

Kenneth Baird Haslam, Firebaugh, Calif., in place of F. I. Wyckoff, transferred.

Robert E. Meacham, Hermosa Beach, Calif., in place of M. S. Wick, resigned.

Eva L. Fowler, Kelseyville, Calif., in place of N. C. Fowler, deceased.

Lawrence P. Comerford, Lincoln Acres, Calif. Office became Presidential July 1, 1943.

Sadie L. Diaz, San Marcos, Calif. Office became Presidential July 1, 1943.

Llewellyn B. Peck, Saratoga, Calif., in place of L. C. Puccinelli, resigned.

Wanda L. Stark, Tullake, Calif., in place of E. M. Taylor, resigned.

COLORADO

Harry R. Boles, Kersey, Colo. Office became Presidential July 1, 1943.

CONNECTICUT

Earl E. Sexton, East Lyme, Conn. Office became Presidential July 1, 1943.

Roland Lester Powe, North Windham, Conn. Office became Presidential July 1, 1943.

DELAWARE

Mary S. Bell, Smyrna, Del., in place of D. H. Bell, deceased.

GEORGIA

J. Heard Summerour, Duluth, Ga. Office became Presidential July 1, 1943.

Ruth G. Dixon, Girard, Ga. Office became Presidential July 1, 1942.

Wilma G. Cook, Parrott, Ga., in place of H. E. Cook, deceased.

IDAHO

Imelda B. Wimer, Cottonwood, Idaho, in place of F. S. Wimer, deceased.

ILLINOIS

Nigel B. Herrin, Cave in Rock, Ill., in place of W. C. Herrin, deceased.

Roll E. Gibbs, Clayton, Ill., in place of C. B. Pevhouse, deceased.

Earl D. Husted, Cornell, Ill. Office became Presidential July 1, 1943.

Margaret W. Irish, Farina, Ill., in place of B. J. Donaldson, transferred.

Myrtle Wilkison, Glen Carbon, Ill. Office became Presidential July 1, 1943.

Mary Ruth Shine, Glenwood, Ill. Office became Presidential July 1, 1943.

John L. Zimmerman, Hinsdale, Ill., in place of F. M. Rawlings, resigned.

Wendell A. Stotler, Hudson, Ill. Office became Presidential July 1, 1943.

Mary H. Cofey, Maple Park, Ill., in place of L. E. McKelvey, resigned.

Hugh James, Montrose, Ill. Office became Presidential July 1, 1943.

James D. Cook, Mulkeytown, Ill. Office became Presidential July 1, 1943.

Lewis R. Wall, New Douglas, Ill. Office became Presidential July 1, 1943.

Albert W. Schurg, Pesotum, Ill. Office became Presidential July 1, 1943.

Charles E. Lowry, Philo, Ill. Office became Presidential July 1, 1943.

Samuel W. Brown, Ringwood, Ill. Office became Presidential July 1, 1943.

Jacob H. Michel, West Brooklyn, Ill. Office became Presidential July 1, 1943.

INDIANA

Mary E. Wade, Wilkinson, Ind. Office became Presidential July 1, 1943.

IOWA

George O. Friedrichsen, Alford, Iowa. Office became Presidential July 1, 1943.

Anton C. Rank, Buffalo Center, Iowa, in place of H. E. Eiel, deceased.

Emma M. Jochimsen, Callender, Iowa. Office became Presidential July 1, 1943.

William H. Meshek, Dedham, Iowa. Office became Presidential July 1, 1943.

Eva M. Anderson, Fremont, Iowa, in place of G. V. Fellers, resigned.

Ida E. Heffernan, Peosta, Iowa. Office became Presidential July 1, 1943.

John R. Shebek, Riverside, Iowa, in place of J. P. Quinn, transferred.

Alice B. Dougherty, Sheldon, Iowa, in place of W. J. Hollander, resigned.

KENTUCKY

Charles M. Swim, Frenchburg, Ky. Office became Presidential July 1, 1943.

LOUISIANA

Mathias J. Reuter, Arabi, La., in place of W. F. Roy, Jr., resigned.

MARYLAND

Kenneth L. Toohey, Cresaptown, Md. Office became Presidential July 1, 1943.

Rachel S. Rowe, Landover, Md. Office became Presidential July 1, 1943.

William H. Fridinger, Williamsport, Md., in place of N. T. Reed. Incumbent's commission expired May 12, 1942.

MASSACHUSETTS

John J. Lynch, Uxbridge, Mass., in place of C. E. Cook, retired.

MICHIGAN

Clifford B. Dabney, Almont, Mich., in place of R. P. Hallock, retired.

Oswald J. Koch, Ann Arbor, Mich., in place of F. S. Abbott, removed.

Barbara B. Burwell, Baldwin, Mich., in place of A. C. Misteli, retired.

Carleton A. May, Camden, Mich., in place of Kay Rice, resigned.

Arthur Elmore, Hanover, Mich. Office became Presidential July 1, 1943.

Roy G. Hubbard, Hastings, Mich., in place of L. F. Maus. Incumbent's commission expired August 19, 1941.

Minnie H. Nash, Holton, Mich. Office became Presidential July 1, 1943.

Claude A. Van Dusen, Jasper, Mich. Office became Presidential July 1, 1943.

D. D. Harris, Lansing, Mich., in place of C. E. Cady, resigned.

William H. Cuthbertson, Ludington, Mich., in place of W. H. Cuthbertson. Incumbent's commission expired March 30, 1942.

Verna E. Cameron, Lyons, Mich., in place of E. C. Clements, resigned.

CONTRACT SETTLEMENT ACT OF 1944

MAY 2 (legislative day, APRIL 12), 1944.—Ordered to be printed

Mr. MURRAY, from the Committee on Military Affairs, submitted the following

REPORT

[To accompany S. 1718]

Your committee to whom was referred the bill (S. 1718) to provide for the settlement of claims arising from terminated contracts, and for other purposes, having considered the same, unanimously report favorably thereon with an amendment, and recommend that the bill as amended pass as soon as possible, in order to meet a great need for legislation in the field of contract termination.¹

While the committee feels that the legislation in its present form meets all the requirements of an effective contract termination program, some clarifying amendments may nevertheless be deemed advisable in view of the complexity of the problem.

NEED FOR LEGISLATION

The great need for legislation in the field of contract termination has been emphasized repeatedly by the heads of the Government agencies concerned, as well as by industry and labor groups which have felt the effects of contract termination. The present procedure of contract termination is cumbersome and results in unnecessary delays injurious to our economy. In the event of wholesale terminations in the course of the war, this procedure would, in the opinion of this committee, dangerously impede expeditious reconversion to a peacetime economy.

¹ The need for speed has been emphasized by Senator Vandenberg, who, in a letter dated April 16, 1944, addressed to Senator Murray, chairman of the War Contracts Subcommittee, stated the following:

"* * * In my view there has ceased to be any substantial controversy in respect to 'contract termination' and 'plant clearance' as contemplated in S. 1718. * * *

In my view the situation is already critical. In my view Congress should act so far as it can without any further delay. Otherwise, it will be Congress and not private industry which will have to take responsibility for what happens. * * * It seems to me that we ought to be able to get S. 1718 (in whatever form is satisfactory to your committee) on to the Senate floor next week for action next week. If this could be done I think it would be the greatest possible reassurance we can give to our hundreds of thousands of war contractors (upon whom in turn millions of workers depend for their jobs) that we intend to protect and facilitate the demobilization and reconversion process upon which our total national economic life absolutely depends. * * *

BASIC PRINCIPLES OF THE BILL

S. 1718 as amended, is based on two fundamental principles:

- (1) Businessmen shall be paid speedily the fair compensation which is due them for the termination of their war contracts; and
- (2) The Government, when paying out such fair compensation, should be carefully protected against waste and fraud.

Little has to be said as to the need of contractors, and particularly the smaller subcontractors, to obtain speedy and fair settlement of their termination claims. This need has been stated repeatedly and has been pointed out emphatically in the reports dated November 18, 1943,² February 9, 1944,³ and April 7, 1944,⁴ of the Senate Special Committee on Post-war Economic Policy and Planning, under the chairmanship of the distinguished senior Senator from Georgia, Mr. George.

The need for protecting the Government against the waste of funds and fraud is equally clear, and S. 1718 as amended fully protects the Government in the following manner:

(1) The full responsibility for settling terminated war contracts has been placed squarely upon the shoulders of the contracting agencies and they cannot escape that responsibility. The contracting agencies who made the contracts, are familiar with the contracts, and any attempt to let them escape their responsibility of properly settling such contracts in case of termination must be avoided.

(2) The Director of Contract Settlement is to be established as an independent civilian agency with policy-making and supervisory powers over the contracting agencies in connection with contract settlement and interim financing activities. It is the function of the Director to insist on efficient settlement methods and procedures which will achieve the dual purpose of this legislation.

(3) The General Accounting Office as the investigatory arm of the Congress, is authorized to investigate settlements completed by the contracting agencies for the purpose of reporting to Congress whether the settlement methods and procedures employed by the contracting agencies are of a kind and type designed to assure expeditious and fair settlements, and whether such methods and procedures adequately protect the interests of the Government. The Comptroller General is directed to make suggestions and recommendations to the contracting agencies concerned and to the Congress if he shall find that the settlement methods and procedures fail to meet the standards of expeditiousness and fairness. Furthermore, the Comptroller General is to determine whether settlement payments are made in accordance with the settlement, and whether settlements are induced by fraud.

(4) Finally the Congress, through the appropriate committees of the Senate and the House, will maintain continuous surveillance over the operations of the Government agencies under the proposed legislation. The Congress will appraise the reports submitted by the Director and the Comptroller General, and, if necessary, will make suitable changes in the law, in order to make absolutely sure that the dual purpose of this legislation to settle termination claims speedily and to protect the Government's interests, is achieved.

² S. Rept. No. 539 pt. 1.

³ S. Rept. No. 539 pt. 2.

⁴ S. Rept. No. 539 pt. 3.

ANALYSIS OF THE BILL

I. OFFICE OF THE DIRECTOR OF CONTRACT SETTLEMENT

The bill sets up the Office of Contract Settlement headed by a Director. The Director will have the power, subject to the provisions of this legislation, by general orders or general regulations, to coordinate the activities of all Government agencies under the act, and to prescribe policies, principles, methods, procedures, and standards to govern the exercise of their authority and discretion. If necessary the Director may require or restrict the exercise of any such authority and discretion to such extent as he deems necessary to carry out the purposes of this legislation.

The close connection between the functions of the Director and the war effort is emphasized in section 1, which states the objectives, among others, of the act as follows:

The Congress hereby declares that the objectives of this Act are—(a) to facilitate maximum war production during the war, * * * (d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security * * *.

Further, full coordination between the Director and the war agencies is provided for through the Contract Settlement Advisory Board, which consists of the heads of the principal procurement agencies, the War Production Board, the Reconstruction Finance Corporation, the Smaller War Plants Corporation, and the Attorney General.

The Office of the Director is visualized as a policy-making and coordinating agency, and the Director is to perform his duties through the personnel and facilities of established Government agencies to the extent that this does not interfere with his coordinating function.

II. BASIS FOR SETTLEMENT OF TERMINATION CLAIM

The legislation states that it is the policy of the Government, and the responsibility of the contracting agencies and the Director, to provide prime and subcontractors with fair compensation for the termination of their war contracts. It further provides that the compensation payable to subcontractors shall be based on the same principles as compensation payable to prime contractors.

Termination claims of prime contractors and subcontractors may be settled either by agreement or, in case an agreement fails to be reached, by determination on the part of the contracting agency. Wherever it may facilitate settlements, the contracting agencies will have power to deal directly with subcontractors or settle all claims of a contractor on an over-all basis. All settlement agreements are to be final, except in case of fraud and for the purposes of the Renegotiation Act. Any unilateral determination on the part of a contracting agency will be subject to an appeal, which may be taken at the election of the contractor, to the Court of Claims (or if the amount is below \$10,000, to a United States district court) or to an appeal board established in accordance with this legislation, or which may be submitted to arbitration where a contracting agency and the contractor agree to arbitration.

III. INTERIM FINANCING

The legislation states that it is the policy of the Government, and makes it the responsibility of the contracting agencies and the Director, to provide prime contractors and subcontractors, pending the settlement of their termination claims, with adequate interim financing within 30 days after proper application therefor. The contracting agencies are authorized to utilize a wide variety of financing methods. They are directed to make available interim financing to the greatest extent practicable through loans and discounts in advance of actual terminations. It is contemplated that a large-scale termination-loan program, utilizing the facilities of private and public banks, will be established. To the extent that loans do not take care of the needs of war contractors, standards are established in the legislation for the making of advance or partial payments by the contracting agencies prior to final settlement.

IV. ADVANCE NOTICE

In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, the contracting agencies are directed to provide contractors with termination notices as far in advance of the cessation of the work thereunder as is feasible and consistent with the national security without permitting unneeded production.

V. REMOVAL AND STORAGE OF MATERIALS AND GOVERNMENT EQUIPMENT

The bill makes it the policy of the Government, upon termination of any war contract, to assure the expeditious removal from the plant of such war contractor of all materials, goods in process and other termination inventory not to be retained or sold by the war contractor. If the Government fails to remove such termination inventory within 60 days, the war contractor may remove and store such termination inventory at the Government's expense and risk. Similar provisions are made for removal and storage of Government-owned machinery and equipment no longer needed for war production.

VI. PERSONAL FINANCIAL LIABILITY OF CONTRACTING OFFICERS

In order to encourage speedy and fair settlements, the proposed legislation eliminates personal financial liability of contracting officers. Failure so to provide would impede the entire program of expeditious and fair settlement of termination claims.

VII. THE GENERAL ACCOUNTING OFFICE

The functions of the General Accounting Office with respect to termination settlements are twofold:

(1) The Comptroller General has the important function of investigating settlements completed by the contracting agencies, for the purpose of reporting to the Congress from time to time whether the settlement methods and procedures employed by the agencies are adequate to achieve the purposes of this legislation. If the Comptroller General finds that such methods and procedures fail to meet

the standards set forth in this legislation, he is to make suggestions and recommendations to the agency concerned for the improvement of such methods and procedures, and to the Congress for any additional legislation needed to carry out the policies of this legislation. In order to enable Congress to evaluate the Comptroller General's criticisms and suggestions, the Comptroller General will be required to deliver a copy of any such reports to the agency concerned and to the Director, and to forward to the Congress, together with such reports, any comments of such agency with respect thereto.

(2) With respect to individual termination settlements, the function of the General Accounting Office is to be confined to determination after final settlement, (a) whether the settlement payments were made in accordance with the settlement, and (b) whether the records transmitted to the General Accounting Office warrant a reasonable belief that the settlement was induced by fraud. Whenever the General Accounting Office believes that any settlement was fraudulent, the Comptroller General is directed to report the facts to the Director and the Department of Justice.

VIII. PRESERVATION OF RECORDS, DETECTION OF FRAUD

In order to assure the expeditious prosecution of willful frauds on the part of war contractors in connection with contract settlements, this legislation will make it unlawful for war contractors to destroy records in connection with termination settlements. Furthermore, the Director is instructed to establish policies for such supervision and review, within the contracting agencies, of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud.

IX. PENALTIES

This legislation will provide adequate penalties to safeguard the Government against waste of funds and fraud. These provisions are to supplement the provisions contained in the criminal code:

(1) The Director is authorized to prescribe penalties not exceeding 6 percent per annum for any interim financing secured by any war contractor through any overstatement of the amount due on a termination claim.

(2) Any destruction of records in violation of the provisions of this legislation is punishable, in case of a corporation, by a fine of not more than \$50,000, and, in case of a natural person, by a fine of not more than \$10,000, or imprisonment for not more than 5 years, or both.

(3) Any person making or using false statements for any of the purposes of this legislation, if convicted, is liable to a fine of not more than \$10,000 or imprisonment for not more than 10 years, or both.

X. EFFECTIVE DATE

The legislation is to go into effect within 20 days after the enactment thereof.



S. 1718

[Report No. 836]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 11 (legislative day, FEBRUARY 7), 1944

Mr. MURRAY (for himself and Mr. GEORGE) introduced the following bill;
which was read twice and referred to the Committee on Military Affairs

MAY 2 (legislative day, APRIL 12), 1944

Reported by Mr. MURRAY, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To provide for the settlement of claims arising from terminated
war contracts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 OBJECTIVES OF THE ACT

4 SECTION 1. The Congress hereby declares that the
5 objectives of this Act are—

6 (a) to facilitate maximum war production during
7 the war, and to expedite reconversion from war produc-
8 tion to civilian production as war conditions permit;

9 (b) to insure to prime contractors and subcon-
10 tractors, small and large, speedy and equitable final

1 settlement of claims under terminated war contracts;
2 and adequate interim financing until such final settle-
3 ment;

4 (c) to insure uniformity among Government
5 agencies in basic policies and administration with re-
6 spect to such termination settlements and interim
7 financing;

8 (d) to use all practicable methods compatible with
9 the foregoing objectives to prevent improper payments
10 and to detect and prosecute fraud.

11 SURVEILLANCE BY CONGRESS

12 SEC. 2. (a) To assist the Congress in appraising the ad-
13 ministration of this Act and in developing such amendments
14 or related legislation as may further be necessary to accom-
15 plish the objectives of the Act, the appropriate committees of
16 the Senate and the House of Representatives shall study each
17 report submitted to the Congress under this Act and shall
18 otherwise maintain continuous surveillance of the operations
19 of the Government agencies under the Act.

20 (b) In January, April, July, and October of each year,
21 the Director shall submit to the Senate and House of Repre-
22 sentatives a quarterly report on the exercise of his duties and
23 authority under this Act, the status of contract terminations,
24 termination settlements, and interim financing and such other
25 pertinent information on the administration of the Act as will

1 enable the Congress to evaluate its administration and the
2 need for amendments and related legislation.

3 DEFINITIONS

4 SEC. 2. As used in this Act—

5 (a) The term “prime contract” means any contract,
6 agreement, or purchase order entered into by a contracting
7 agency and connected with or related to the prosecution of
8 the war; and the term “prime contractor” means any holder
9 of one or more prime contracts.

10 (b) The term “subcontract” means any contract, agree-
11 ment, or purchase order connected with or related to the
12 performance of any prime contract or of any other subcon-
13 tract; and the term “subcontractor” means any holder of
14 one or more subcontracts.

15 (c) The term “war contract” means a prime contract
16 or a subcontract or both; and the term “war contractor”
17 means any holder of one or more war contracts.

18 (d) The terms “termination”, “terminate”, and “ter-
19 minated” mean the termination or cancellation, in whole or
20 in part, of work under a prime contract for the convenience
21 or at the option of the Government (except for default of
22 the prime contractor) or of work under a subcontract for any
23 reason except the default of the subcontractor.

24 (e) The term “material” includes any article, com-

1 modity, equipment, accessory, part, assembly, or product of
2 any kind.

3 (f) The term "Government agency" means any execu-
4 tive department of the Government, or any administrative
5 unit or subdivision thereof, any independent agency in the
6 executive branch of the Government, and any corporation
7 owned or controlled by the United States, and includes any
8 contracting agency.

9 (g) The term "contracting agency" means any Gov-
10 ernment agency which has been or hereafter may be
11 authorized to make contracts pursuant to section 201 of the
12 First War Powers Act, 1941, and the Reconstruction
13 Finance Corporation and its subsidiaries, and the Smaller
14 War Plants Corporation.

15 (h) The term "termination claim" means any claim by
16 a war contractor under a terminated war contract.

17 (i) The term "interim financing" includes advance or
18 partial payments, loans, discounts, or advances or commit-
19 ments in connection therewith, and guarantees of loans, dis-
20 counts, or advances or commitments in connection there-
21 with and any other type of financing related to termination
22 settlements.

23 (j) The term "Director" means the Director of Con-
24 tract Settlement.

25 (k) The term "person" means any individual, corpora-

1 tion, partnership, firm, association, trust, estate, or other
2 entity.

3 DIRECTOR OF CONTRACT TERMINATION SETTLEMENT

4 SEC. 4. (a) There is hereby established the Office of
5 Contract Settlement which shall be headed by the Director
6 of Contract Settlement. The Director shall be appointed by
7 the President, by and with the consent of the Senate, and
8 shall receive compensation at the rate of \$12,000 per year.

9 (b) The Director shall perform his functions to the full-
10 est extent feasible through the personnel and facilities of
11 the contracting agencies and other established Government
12 agencies.

13 (c) The Director may prescribe regulations to carry out
14 any of the provisions of this Act, and such regulations shall
15 be binding on any Government agency to the extent that it
16 is subject to this Act. Each such agency shall carry out such
17 regulations expeditiously and may make such further regu-
18 lations as it deems necessary to carry out the provisions of
19 this Act or any regulations of the Director.

20 (d) The Director may, within the limits of funds which
21 may be made available, employ necessary personnel without
22 regard to the provisions of the civil-service laws and the
23 Classification Act of 1923 and make expenditures for supplies,
24 facilities, and services necessary for the performance of his
25 functions under this Act.

1 CONTRACT SETTLEMENT ADVISORY BOARD

2 SEC. 5. There is hereby created a Contract Settlement
3 Advisory Board, with which the Director shall advise and
4 consult. The Board shall be composed of the Director, who
5 shall act as its Chairman, and of the Secretary of War, the
6 Secretary of the Navy, the Secretary of the Treasury, the
7 Chairman of the Maritime Commission, the Administrator of
8 the Foreign Economic Administration, the Chairman of the
9 Board of Reconstruction Finance Corporation, the Chairman
10 of the War Production Board, the Chairman of the Board
11 of Smaller War Plants Corporation, and the Attorney Gen-
12 eral, or any alternate or representative designated by any of
13 them. The Director shall request other Government agen-
14 cies to participate in the deliberations of the Board whenever
15 matters specially affecting them are under consideration.

16 SETTLEMENT OF TERMINATION CLAIMS

17 SEC. 6. (a) It is the policy of the Government to in-
18 sure to every war contractor fair compensation for the termi-
19 nation of any war contract, including reasonable expenses
20 incident to termination and settlement, reasonable expenses
21 of removing and storing materials, and such allowance for
22 profit on the work done on the uncompleted part of the
23 contract as is reasonable under the circumstances, plus inter-
24 est on the termination claim in accordance with subsection
25 (e) of this section. Where any war contract does not pro-

1 vide for such fair compensation at the time of its termination,
2 the contracting agency, subject to regulations of the
3 Director, shall amend such war contract by agree-
4 ment with the war contractor, or shall authorize, ap-
5 prove, or ratify an amendment of such war contract by the
6 parties thereto, to provide for such fair compensation.

7 (b) Subject to regulations of the Director, any con-
8 tracting agency may settle any termination claim under any
9 war contract by agreement with the war contractor or by
10 determination of the amount due on the claim without such
11 agreement, or by any combination of these methods. Where
12 any such settlement is made by agreement, it shall be final and
13 conclusive and shall not be reopened, annulled, modified, set
14 aside, or disregarded by any officer, employee, or agent of the
15 United States, or in any suit, action, or proceeding, except
16 (1) to the extent otherwise provided by the terms of the
17 settlement; (2) for fraud; (3) upon renegotiation to elimi-
18 nate excessive profits under the Renegotiation Act, unless
19 exempt or exempted thereunder; or (4) by mutual agree-
20 ment. Where any such settlement is made by determination
21 without agreement, it shall likewise be final and conclusive to
22 the same extent, unless the war contractor appeals, submits
23 to arbitration, or brings suit in accordance with section 13 of
24 this Act.

25 (c) Each contracting agency shall allow and pay interest

1 on the unpaid balance of any termination claim under a prime
2 contract at the rate of 3 per centum per annum for the
3 period beginning sixty days after the date of filing of the
4 claim, in substantially the form prescribed under this Act,
5 and ending with the date of final payment, except that
6 (1) if the contractor unreasonably delays the settlement
7 of his claim, payment of interest shall be suspended for
8 the period of such delay, and (2) if interest on any advance
9 payment or loan, made or guaranteed by the Government,
10 has been waived for the benefit of the contractor during
11 the period after termination, the amount of interest so waived
12 shall be deducted from the interest otherwise payable here-
13 under. In approving, ratifying, authorizing, or making termi-
14 nation settlements with subcontractors, each contracting
15 agency shall allow interest on the termination claim of the
16 subcontractor on the same basis applicable to a prime con-
17 tractor. The Director may prescribe regulations to govern
18 the computation of interest under this subsection.

19 SEC. 7. (a) The Director, by regulation, shall prescribe
20 policies to govern the settlement of termination claims. Sub-
21 ject to regulations of the Director, each contracting agency
22 shall establish methods, suitable to the conditions of various
23 classes of war contractors, for determining fair compensation
24 for the termination of war contracts on the basis of actual,
25 standard, average, or estimated costs, or of a percentage of the

1 contract price based on the percentage of completion of work
2 under the terminated contract, or on any other basis, as it
3 deems appropriate.

4 (b) Where, in connection with the settlement of his
5 termination claim by a contracting agency, any war contractor
6 makes settlements of the termination claims of his subcon-
7 tractors, the contracting agency shall limit its review of such
8 settlements with subcontractors to the minimum amount com-
9 patible with the public interest. Subject to regulations of the
10 Director, any contracting agency (1) may approve, ratify,
11 and authorize such settlements with subcontractors upon such
12 evidence, terms, and conditions as it deems proper; (2) shall
13 vary the scope and intensity of its review of such settlements
14 according to the reliability of the war contractor, the size,
15 number, and complexity of such claims, and other relevant
16 factors; and (3) shall authorize war contractors to make such
17 settlements with subcontractors without review by the con-
18 tracting agency, whenever the reliability of the war con-
19 tractor, the amount or nature of the claims, or other reasons
20 appear to justify such action.—The Director shall prescribe
21 policies and standards to govern the contracting agencies in
22 approving, ratifying, and authorizing such settlements in
23 order to insure that their review of such settlements for these
24 purposes is limited or omitted to the maximum extent com-

1 patible with the public interest. Any such settlement of a
2 subcontract approved, ratified, or authorized by a contract-
3 ing agency shall be conclusive and binding upon the United
4 States to the same extent as a settlement under subsection
5 ~~(b)~~ of section 7 of this Act, and the war contractor making
6 it shall not be liable thereon except for his own fraud.

7 ~~(c)~~ Subject to regulations of the Director, any contract-
8 ing agency shall exercise supervision or control over pay-
9 ments to prime contractors on account of termination claims
10 of subcontractors to such extent and in such manner as it
11 deems necessary or desirable to insure the receipt of the
12 benefit of such payments by the subcontractors.

13 ~~(d)~~ The Director, by regulations, shall prescribe poli-
14 cies and methods for the settlement by any contracting
15 agency of some or all of the termination claims of a war
16 contractor under contracts with one or more ~~(1)~~ bureaus
17 or divisions within a contracting agency, ~~(2)~~ contracting
18 agencies, or ~~(3)~~ prime contractors and subcontractors, to
19 the extent he deems such action necessary or desirable for
20 expeditious and equitable settlements of such claims. The
21 Director may assign any war contractor to a contracting
22 agency for such settlement.

23 ~~(e)~~ Subject to regulations of the Director, any contract-
24 ing agency may settle directly termination claims of sub-
25 contractors to the extent that it deems such action necessary

1 or desirable for the expeditious and equitable settlement of
2 such claims. In making such termination settlements any
3 contracting agency may discharge the claim of the subcon-
4 tractor by payment or may purchase such claim, and may
5 agree to assume, or indemnify the subcontractor against, any
6 claims by any person in connection with such claim or the
7 termination settlement.

8 (f) Whenever the insolvency or bankruptcy of a war
9 contractor, or termination of his war contract for de-
10 fault deprives his subcontractor of fair compensation
11 for the termination of a subcontract, the contracting agency
12 concerned may make such additional payment to such
13 subcontractor as is necessary to provide such fair compen-
14 sation. The Director shall prescribe standards, terms, and
15 conditions to govern the exercise of this authority, and may
16 direct such payments in such classes of cases as he deems
17 proper.

18 INTERIM FINANCING

19 SEC. 8. (a) It is the policy of the Government to insure
20 adequate interim financing, within thirty days after applica-
21 tion therefor, to every war contractor having a termination
22 claim or claims, pending their settlement.

23 (b) In order to carry out this policy, the Director, by
24 regulations, shall prescribe methods for providing to any war

1 contractor during the period between termination and settle-
2 ment of one or more war contracts——

3 ~~(1)~~ interim financing under this Act representing
4 not less than 90 per centum of the amount of his termi-
5 nation claim or claims, after deducting all liabilities to
6 subcontractors and such advances, partial payments, and
7 loans, previously made or guaranteed by the Govern-
8 ment, as are available to such war contractor upon
9 substantially the same terms and conditions as interim
10 financing under this section;

11 ~~(2)~~ such additional interim financing as the Director
12 deems necessary or desirable.

13 ~~(c)~~ The Director, by regulations, shall prescribe ~~(1)~~
14 the types of estimates, certificates, or other evidence to be
15 required to support such interim financing; ~~(2)~~ the terms
16 and conditions upon which such interim financing shall be
17 made; ~~(3)~~ the classes of cases in which such interim
18 financing shall be refused; and ~~(4)~~ such methods of
19 supervision and control over such interim financing as he
20 deems necessary or desirable to assure adequate and speedy
21 interim financing to subcontractors of the war contractor.

22 ~~(d)~~ Whenever the amount of the termination claim or
23 claims as stated by any war contractor for the purpose of
24 obtaining interim financing under this section exceeds the
25 amount finally determined to be due on such claim or

1 claims; and the war contractor thereby obtains interim
2 financing in excess of the amount he would otherwise have
3 obtained; the war contractor shall be liable to the United
4 States for a penalty on such excess interim financing. The
5 contracting agency shall determine the amount of such excess
6 interim financing; subject to regulations of the Director.
7 The penalty shall be computed at the rate of 12 per centum
8 per annum and for the period from the date such excess
9 interim financing is received to the date on which such
10 excess is repaid or extinguished. The obligation to pay
11 such penalty and to repay any interim financing under this
12 section shall constitute a debt due to the United States
13 within the meaning of Revised Statutes, section 3466 (31
14 U. S. C., sec. 191).

15 (e) Subject to regulations of the Director, each con-
16 tracting agency shall allow advance payments, previously
17 authorized in connection with the performance of a war
18 contract, to be used for expenses related to the termination
19 settlement of such contract, to such extent and upon such
20 terms as it deems appropriate.

21 (f) Subject to regulations of the Director, no interim
22 financing made by any contracting agency under this Act
23 shall extend beyond the settlement of the termination claim
24 or claims of the war contractor involved, and such period

1 thereafter as the contracting agency deems necessary for the
2 liquidation of such interim financing in an orderly manner.

3 SEC 9. (a) Subject to regulations of the Director, any
4 contracting agency may make partial payments to any war
5 contractor on account of any termination claim or claims, and
6 may authorize, approve, or ratify any such partial payments
7 by any war contractor to his subcontractors.

8 (b) Where any partial payment is made to any war con-
9 tractor by any contracting agency or by another war contrac-
10 tor under this section, the provisions of subsection (d) of sec-
11 tion 8 shall apply to such payment. Any excess payment
12 shall be treated as a loan from the Government to the war
13 contractor receiving it, and shall be payable upon demand.
14 Where the partial payment was made by a war contractor and
15 authorized, approved, or ratified by the Government, the
16 war contractor making it shall not be liable for any excess
17 payment in the absence of fraud on his part and shall receive
18 payment or credit from the Government for the amount of
19 such excess payment.

20 SEC. 10. (a) Subject to regulations of the Director, any
21 contracting agency is authorized—

22 (1) to enter into contracts with any Federal Re-
23 serve bank, or other public or private financing institu-
24 tion, guaranteeing such financing institution against loss
25 of principal or interest on loans, discounts, or advances,

1 or on commitments in connection therewith, which such
2 financing institution may make to any war contractor
3 or to any person who is or has been engaged in perform-
4 ing any operation deemed by such contracting agency
5 to be connected with or related to war production, for
6 the purpose of financing such war contractor or other
7 person in connection with the termination of one or more
8 such war contracts or operations;

9 (2) to make, enter into contracts to make, or to
10 participate with any Government agency, any Federal
11 Reserve bank or private financing institution in making
12 loans, discounts, or advances, or commitments in connec-
13 tion therewith, for the purpose of financing any such war
14 contractor or other person in connection with the termi-
15 nation of such war contracts or operations.

16 (b) Subject to regulations of the Director, any such
17 loan, discount, advance, guaranty, or commitment in con-
18 nection therewith shall be secured, if the contracting agency
19 concerned deems it reasonably practicable, by either assign-
20 ment of, or covenants to assign, the rights of such war con-
21 tractor or other person in connection with the termination of
22 such war contracts or operations, or in such other manner
23 as the contracting agency may prescribe.

24 (c) Subject to such regulations as the Board of Gover-
25 nors of the Federal Reserve System may prescribe with the

1 approval of the Director, any Federal Reserve bank is au-
2 thorized to act, on behalf of the contracting agencies, as fiscal
3 agent of the United States in carrying out the purposes of
4 this Act.

5 ~~(d)~~ This section shall not limit or affect any authority
6 of any contracting agency, under any other statute, to make
7 loans, discounts, or advances, or commitments in connection
8 therewith or guarantees thereof.

9 ADVANCE NOTICE

10 SEC. 11. ~~(a)~~ In order to facilitate the efficient use of
11 materials, manpower, and facilities for war and civilian pur-
12 poses, it is the policy of the Government to provide war
13 contractors with notice of termination of their war contracts
14 as far in advance of the cessation of work thereunder as is
15 feasible and consistent with the national security.

16 ~~(b)~~ To carry out this policy, subject to regulations of
17 the Director, each contracting agency shall—

18 ~~(1)~~ provide war contractors, to the fullest extent
19 feasible, with notice of termination of any war contract
20 at least thirty days in advance of the cessation of work
21 thereunder;

22 ~~(2)~~ permit the completion of work in process under
23 a terminated contract wherever such completion will
24 result in a saving to the Government;

25 ~~(3)~~ permit the continuation of work under a

terminated contract for the purpose of avoiding injury to plant and material; and

(4) protect war contractors against any additional costs and expenses resulting from any failure of the contracting agency to give notice of termination at least thirty days in advance of the cessation of work under the terminated contract.

(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies.

REMOVAL AND STORAGE OF MATERIALS

SEC. 12. (a) It is the policy of the Government, upon the termination of any war contract, to insure the expeditious removal from the plant of the war contractor of all materials which relate to such terminated war contract and for which the Government is responsible.

(b) To carry out this policy, subject to regulations of the Director, each contracting agency shall provide—

(1) for the submission by the war contractor to the contracting agency of statements, in such form and detail as it may prescribe, showing the materials related to a terminated war contract for which the Government is responsible;

(2) for the removal of such materials by the con-

tracting agency within thirty days after the submission
of such statements or within such longer period as the
war contractor may agree;

4 (3) for the removal and storage of such materials
5 by the war contractor at the risk and expense of the
6 Government upon the failure of the contracting agency
7 so to remove them.

8 (c) The Director shall have no authority under this Act
9 to regulate or control in any way the sale or other disposition
10 of any materials by a contracting agency or by any war
11 contractor.

12 ~~APPEAL~~

13 SEC. 13. (a) Whenever any war contractor has sub-
14 mitted a termination claim, in substantially the form pre-
15 scribed under this Act, to the contracting agency respon-
16 sible for settling it, and such claim has not been settled by
17 agreement with the contracting agency, or only a part of
18 such claim has been so settled, the contracting agency shall
19 prepare written findings of the amount due on such claim
20 or the unsettled part thereof, and shall deliver a copy of the
21 findings to the war contractor within sixty days from the
22 date of a demand for such findings by the war contractor.

23 ~~(b) Whenever any war contractor is aggrieved by the~~
24 ~~findings of a contracting agency or by its failure to make such~~

1 findings in accordance with subsection ~~(a)~~ of this section;
2 he may, at his election—

3 ~~(1)~~ appeal to the Appeal Board or an umpire in
4 accordance with subsection ~~(d)~~ of this section; or

5 ~~(2)~~ submit such claim or such part thereof, to
6 arbitration in accordance with subsection ~~(e)~~ of this
7 section; or

8 ~~(3)~~ bring suit against the United States for such
9 claim or such part thereof, in the Court of Claims or in
10 a United States district court, in accordance with sub-
11 section ~~(20)~~ of section 24 of the Judicial Code ~~(28~~
12 ~~U. S. C. 41 (20))~~.

13 ~~(e)~~ Any proceeding under subsection ~~(b)~~ of this sec-
14 tion shall be governed by the following conditions:

15 ~~(1)~~ A war contractor shall not be required to
16 appeal from such findings within the contracting agency
17 concerned before proceeding under subsection ~~(b)~~ of
18 this section, but may do so in his discretion.

19 ~~(2)~~ If a war contractor does not initiate proceedings
20 in accordance with subsection ~~(b)~~ of this section within
21 ninety days after delivery to him of the findings by the
22 contracting agency, or in case of failure to deliver such
23 findings, within one year after his demand therefor, he
24 shall be precluded thereafter from initiating any pro-

1 ceedings in accordance with subsection ~~(b)~~ of this sec-
2 tion, and the findings of the contracting agency shall be
3 final and conclusive, or if no findings were made, he shall
4 be deemed to have waived such termination claim.

5 ~~(3)~~ Notwithstanding any contrary provision in any
6 war contract, the Appeal Board, umpire, arbitrators, or
7 court shall not be bound by the findings of the contracting
8 agency, but shall treat such findings as prima facie
9 correct, and the burden shall be on the war contractor
10 to establish that the amount due on his claim exceeds
11 the amount allowed by the contracting agency. The
12 Appeal Board, umpire, arbitrators, or court may in-
13 crease or decrease the amount allowed by the contracting
14 agency.

15 ~~(4)~~ When a war contractor has initiated such pro-
16 ceedings by one method under subsection ~~(b)~~ of this
17 section, he shall be precluded from initiating proceedings
18 by any other method thereunder.

19 ~~(5)~~ Any such proceedings shall not affect the
20 authority of the contracting agency concerned to make
21 a settlement of the termination claim or any part thereof,
22 by agreement with the war contractor at any time before
23 such proceedings are concluded.

24 ~~(d)~~ ~~(1)~~ The Director shall appoint an Appeal Board
25 composed of not less than three and not more than nine

1 members, to sit in the city of Washington, and one or more
2 umpires to sit in each judicial district, to hear appeals under
3 this section. The Board may sit in sections of not less than
4 three members. The Director shall designate the members
5 of the Appeal Board and the umpires, and shall fix their
6 term of office and compensation.

7 ~~(2)~~ The Director shall prescribe the practice and pro-
8 cedure to govern proceedings before the Appeal Board and
9 the umpires, or may authorize the Appeal Board to pre-
10 scribe such practice and procedure. The Appeal Board and
11 any umpire shall have power to compel the attendance of
12 witnesses and the production of evidence in accordance with
13 regulations of the Director. Subject to the direction of the
14 Director, the Appeal Board shall supervise the proceedings
15 of the umpires, but shall have no power to review their deci-
16 sions. The decision of the Appeal Board or of any section
17 of the Board, or of an umpire, shall be final and shall not
18 be subject to review by any court or other agency.

19 ~~(e)~~ When a termination claim is submitted to arbitra-
20 tion in accordance with this section, the arbitration proceed-
21 ing shall be governed by the United States Arbitration Act
22 to the same extent as if authorized by an effective agreement
23 in writing between the Government and the war contractor
24 for such arbitration upon the conditions specified in subsection
25 ~~(e)~~ of this section.

(f) Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them by agreement with the other, may submit the dispute—

5 ~~(1) to the Appeal Board or an umpire in accord-~~
6 ~~ance with subsection (d) of this section;~~

7 ~~(2)~~ to a contracting agency for mediation or arbi-
8 tration in accordance with regulations which shall be pre-
9 scribed by the Director.

10 ~~(g)~~ The Director shall prescribe regulations to carry
11 out the provisions of this section.

12 COURT OF CLAIMS

13 SEC. 14. (a) For the purpose of expediting the adjudi-
14 cation of termination claims, the Court of Claims is author-
15 ized to appoint not more than twenty commissioners in
16 addition to those provided for by the Act of February 24,
17 1925 (ch. 301, 43 Stat. 964), as amended by the Act of
18 June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions
19 of said Acts shall apply to such additional commissioners in
20 all respects as if they had been appointed thereunder without
21 limitation as to nature of duties which they may be called
22 upon to perform.

~~(b) The Attorney General, under such rules as the Court of Claims shall prescribe, may cause any and all persons with legal capacity to sue and be sued, wherever~~

1 located, actually to be notified, or on specific order of
2 the court, to be notified by publication, and if within the
3 jurisdiction of the United States, at the discretion of the
4 Attorney General, to be served with subpoena, to appear as a
5 party or parties in any suit or proceeding of any nature
6 whatsoever pending in said court and to assert and defend
7 their interests, if any, in such suits or proceedings, within
8 such period of time prior to judgment as the Court of Claims
9 shall prescribe. Upon failure so to appear, any and all
10 claims or interests in claims of any such person against the
11 United States, in respect of the subject matter of such suit
12 or proceeding, shall forever be barred and the court shall
13 have jurisdiction to enter judgment pro confesso upon any
14 claim or contingent claim asserted on behalf of the United
15 States against any party who, having been duly served with
16 subpoena, fails to respond thereto, to the same extent and with
17 like effect as if such party had appeared and had admitted
18 the truth of all allegations made on behalf of the United
19 States. Upon appearance by any party pursuant to any
20 such notice or subpoena, the case as to such party shall, for
21 all purposes, be treated as if an independent proceeding had
22 been instituted by such party pursuant to section 145 of the
23 Judicial Code, as amended, and as if such independent pro-
24 ceeding had then been consolidated, for purposes of trial and
25 determination, with the case in respect of which the notice

1 or subpoena was issued, except that the United States shall
2 not be heard upon any counterclaims, claims for damages or
3 other demands whatsoever against such party, other than
4 claims and contingent claims for the recovery of money here-
5 after paid by the United States in respect of the transaction
6 or matter which constitutes the subject matter of such case;
7 unless and until such party shall assert therein a claim, or
8 an interest in a claim, against the United States, and the
9 Court of Claims shall have jurisdiction to adjudicate, as
10 between any and all adverse claimants, their respective
11 several interests in any matter in suit and to award several
12 judgments in accordance therewith.

13 (c) The jurisdiction of the Court of Claims shall not
14 be affected by this Act except to the extent necessary to
15 give effect to this section, and no party shall recover judg-
16 ment on any claim, or on any interest in any claim, in
17 said court which such party would not have had a right
18 to assert if this section had not been enacted.

19 PERSONAL FINANCIAL LIABILITY

20 SEC. 15. (a) Whenever any payment is made from
21 Government funds to any war contractor or other person
22 as a partial or final payment of the amount due on any
23 termination claim or pursuant to any loan, guaranty, or
24 agreement for the purchase of any loan entered into by
25 the Government, no officer or other Government agent

1 authorizing or approving such payment or settlement, or
2 certifying the voucher for such payment, or making the
3 payment in accordance with a duly certified voucher, shall
4 be personally liable for such payment in the absence of
5 fraud or bad faith on his part. In settling the accounts of
6 any disbursing officer the General Accounting Office shall
7 allow any such disbursements made by him notwithstanding
8 any other provisions of law.

9 (b) For the purpose of making termination settlements
10 or interim financing any Government agency is authorized,
11 subject to any regulations prescribed by the Director, to
12 rely upon such certificates of war contractors as it deems
13 proper and to permit war contractors and other persons to
14 rely upon such certificates without financial liability in the
15 absence of fraud on their part.

16 THE GENERAL ACCOUNTING OFFICE

17 SEC. 16. The General Accounting Office is authorized
18 to examine all records of any contracting agency relating
19 to the settlement of any termination claim after the final
20 settlement of such claim. Any other provision of law not-
21 withstanding, the function of the General Accounting Office
22 with respect to any termination settlement made, author-
23 ized, ratified, or approved by a contracting agency shall
24 be confined to an examination of the records of the con-

1 tracting agency for the purpose of determining (1) whether
2 the settlement payments to the war contractor were made
3 in accordance with the terms of settlement, and (2) whether
4 such records or other information warrant a reasonable belief
5 that the settlement was induced by fraud. Whenever the
6 General Accounting Office believes that any settlement was
7 induced by fraud, the Comptroller General of the United
8 States shall report all of the facts relating thereto to the
9 Congress, to the Director, to the Department of Justice, and
10 to the contracting agency concerned, but shall not suspend
11 or withhold, or direct or require any contracting agency to
12 suspend or withhold, by set-off or otherwise, any amounts
13 owing to the war contractor by the United States under
14 such settlement or otherwise and shall not suspend credit
15 to any disbursing officer for any disbursements made by him
16 under such settlement. In any such case the contracting
17 agency on its own initiative may, or upon order of the
18 Director shall, take such action as it deems appropriate to
19 recover or withhold payments to such war contractor.

20 DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

21 SEC. 17. (a) Where any person has arranged to fur-
22 nish or furnished to a contracting agency or to a war con-
23 tractor any materials, services, or facilities related to the
24 prosecution of the war, relying in good faith upon the
25 apparent authority of an officer or agent of a contracting

1 agency, a letter of intent, written or oral instructions, or
 2 any other request to proceed from a contracting agency, the
 3 contracting agency shall pay such person fair compensation
 4 therefor subject to regulations of the Director.

5 (b) Subject to regulations of the Director, whenever
 6 any formal or technical defect or omission in any prime con-
 7 tract, or in any grant of authority to an officer or agent of
 8 a contracting agency who ordered any materials, services,
 9 and facilities might invalidate the contract or commitment,
 10 the contracting agency (1) shall not take advantage of
 11 such defect or omission; (2) shall amend, confirm, or ratify
 12 such contract or commitment without consideration in order
 13 to cure such defect or omission; and (3) shall make a fair
 14 settlement of any obligation thereby created or incurred by
 15 such agency whether expressed or implied, in fact or in law,
 16 or in the nature of an implied or quasi contract.

17 (c) Where a contracting agency fails to agree on a
 18 settlement of any claim asserted under this section, the
 19 dispute shall be subject to the provisions of section 13 of
 20 this Act.

21 (d) The Director shall require each contracting agency
 22 to formalize all such obligations and commitments within
 23 such period as the Director deems appropriate.

24 RECORDS, FORMS, AND REPORTS

25 SEC. 18. (a) The Director shall establish policies for

1 such supervision and review within the contracting agencies
2 of termination settlements and interim financing as he deems
3 necessary and appropriate to prevent and detect fraud and to
4 insure uniformity in administration. For this purpose he shall
5 prescribe the records to be prepared by the contracting agen-
6 cies and by war contractors in connection with such settle-
7 ments and interim financing. He shall seek to reduce the
8 amount of record keeping, reporting, and accounting in con-
9 nection with the settlement of termination claims and interim
10 financing to the minimum compatible with the reasonable
11 protection of the public interest. Subject to regulations of
12 the Director, each contracting agency shall prescribe forms
13 for use by war contractors in connection with termination
14 settlements and interim financing to the extent it deems
15 necessary and feasible.

16 (b) The Director shall require the Government agencies
17 performing functions under this Act to prepare such infor-
18 mation and reports regarding terminations of war contracts,
19 settlements of termination claims, and interim financing, as
20 he deems necessary to assist him in appraising their opera-
21 tions or to assist him or other Government agencies in per-
22 forming their functions under this Act, and may prescribe
23 the terms and conditions upon which such information and
24 reports shall be made available to other Government agen-
25 cies. The Director may require any Government agency to

1 furnish such information under its control as he deems neces-
2 sary for the performance of his functions under this Act.

3 ~~(c)~~ The Director, by regulations, shall provide for mak-
4 ing available to the War Production Board, the War Man-
5 power Commission, and any other interested Government
6 agency, such advance notice and other information on cut-
7 backs in war production resulting from terminations or fail-
8 ures to renew or extend war contracts, as he deems necessary
9 and appropriate.

10 ~~(d)~~ The Director shall report to the Department of
11 Justice any information received by him indicating any
12 fraudulent practices in connection with termination settle-
13 ments and interim financing, and may require the Depart-
14 ment of Justice or any other Government agency to make
15 such investigations as he deems necessary or desirable to
16 detect fraud in connection with termination settlements and
17 interim financing.

18 PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

19 SEC. 19. ~~(a)~~ Until five years after the termination of
20 hostilities in the present war as proclaimed by the President,
21 or five years after the final settlement of a war contract
22 involving \$5,000 or more, whichever is the later, except
23 to the extent authorized by the Director, ~~(1)~~ no natural
24 person shall willfully secrete, mutilate, obliterate, or destroy,
25 or cause to be secreted, mutilated, obliterated, or destroyed,

1 any records of a war contractor which relate to the negotia-
2 tion, award, performance, payment for, renegotiation, interim
3 financing, or cancellation or other termination, of such war
4 contract, and ~~(2)~~ no corporation shall fail to preserve all
5 such records within its possession, but a corporation shall
6 not be liable for the accidental nonnegligent loss or destruc-
7 tion of records. The Director may prescribe regulations for
8 the destruction of any such records upon such terms and
9 conditions as he deems appropriate. Any war contractor
10 shall allow any officer or agent of any interested Government
11 agency, the General Accounting Office, or any committee
12 of Congress reasonable access to such records. As used in
13 this subsection, the term "records" includes ~~(but is not~~
14 ~~limited to)~~ books, ledgers, checks, and check stubs, pay-roll
15 data, vouchers, memoranda, correspondence, inspection re-
16 ports and certificates, and interoffice reports and communica-
17 tions. Upon conviction for violation of any of the provisions
18 of this subsection, any corporation shall be fined not more
19 than \$50,000 and any natural person not more than \$10,000
20 or imprisoned for not more than five years, or both.

21 ~~(b)~~ The first section of the Act of August 24, 1942
22 ~~(56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a)~~, is
23 amended to read as follows:

24 "The running of any existing statute of limitations ap-
25 plicable to any offense against the laws of the United States

1 ~~(1)~~ involving defrauding or attempts to defraud the United
2 States or any agency thereof whether by conspiracy or not,
3 and in any manner; or ~~(2)~~ committed in connection with
4 the negotiation, procurement, award, performance, payment
5 for, renegotiation, interim financing, or cancellation or other
6 termination, of any contract, subcontract, or purchase order
7 which is connected with or related to the prosecution of the
8 present war, shall be suspended until five years after the
9 termination of hostilities in the present war as proclaimed
10 by the President, or five years after the final settlement of
11 such contract, subcontract, or purchase order, whichever is
12 the later. This section shall apply to acts, offenses, or trans-
13 actions where the existing statute of limitations has not yet
14 fully run, but it shall not apply to acts, offenses, or transac-
15 tions which are already barred by provisions of existing
16 law."

17 (c) ~~(1)~~ Every person who makes or causes to be
18 made, or presents or causes to be presented to any officer,
19 agent, or employee of any Government agency any claim,
20 bill, receipt, voucher, statement, account, certificate, affidavit,
21 or deposition, knowing the same to be false, fraudulent, or
22 fictitious, or knowing the same to contain or to be based
23 on any false, fraudulent, or fictitious statement or entry, or
24 who shall cover up or conceal any material fact, or who
25 shall use or engage in any other fraudulent trick, scheme, or

1 device, for the purpose of securing or obtaining, or aiding
2 to secure or obtain, for any person any benefit, payment,
3 compensation, allowance, loan, advance, or emolument from
4 the United States or any Government agency in connection
5 with the termination, cancellation, settlement, payment, nego-
6 tiation, renegotiation, performance, procurement, or award
7 of a contract with the United States or with any other person,
8 and every person who enters into an agreement, combina-
9 tion, or conspiracy so to do, shall forfeit and refund any such
10 benefit, payment, compensation, allowance, loan, advance,
11 and emolument received as a result thereof and shall in
12 addition pay to the United States the sum of \$2,000 for
13 each such act, and double the amount of any damage which
14 the United States may have sustained by reason thereof,
15 together with the costs of suit.

16 (2) The several district courts of the United States,
17 the District of Columbia, the several district courts of the
18 Territories of the United States, within whose jurisdictional
19 limits the person, or persons, doing or committing such act,
20 or any one of them, resides or shall be found, shall, whereso-
21 ever such act may have been done or committed, have full
22 power and jurisdiction to hear, try, and determine such suit,
23 and such person or persons as are not inhabitants of or found
24 within the district in which suit is brought may be brought
25 in by order of the court to be served personally or by

1 publication or in such other reasonable manner as the court
2 may direct.

3 ~~(d)~~ The provisions of section 35-A of the Criminal
4 Code ~~(18 U. S. C., sec. 80)~~ shall apply to any statement,
5 representation, bill, receipt, voucher, roll, account, claim,
6 certificate, affidavit, or deposition made or used or caused
7 to be made or used for any purpose under this Act or under
8 any regulations pursuant to this Act.

9 GENERAL PROVISIONS

10 SEC. 20. ~~(a)~~ Subject to regulations of the Director,
11 each contracting agency shall have authority ~~(1)~~ to make
12 any contract necessary and appropriate to carry out the pro-
13 visions of this Act, ~~(2)~~ to amend by agreement any existing
14 contract, either before or after notice of its termination, on
15 such terms and to such extent as it deems proper; and
16 ~~(3)~~ in settling any termination claim, to agree to assume,
17 or indemnify the war contractor against, any claims by any
18 person in connection with such termination claims or
19 settlement. This subsection shall not limit or affect in any
20 way any authority of any contracting agency under the
21 First War Powers Act, 1941, or under any other statute.

22 ~~(b)~~ The Director, by regulations, shall prescribe the
23 amount and kind of evidence required to identify any person
24 as a war contractor, or any contract, agreement, or purchase

1 order as a war contract for any of the purposes of this Act.
2 To the extent provided in such regulations, any determina-
3 tion, made in accordance with such regulations, that any
4 person is a war contractor, or that any contract, agreement,
5 or purchase order is a war contract, shall be final and con-
6 clusive for any of the purposes of this Act.

7 ~~(e)~~ There are hereby authorized to be appropriated such
8 sums as may be necessary for administering the provisions
9 of this Act.

10 ~~(d)~~ All policies and procedures relating to termination
11 of war contracts, termination settlements, and interim financ-
12 ing, prescribed by the Director of War Mobilization or any
13 contracting agency, and in effect upon the effective date of
14 this Act, shall remain in full force and effect unless and until
15 superseded by regulations prescribed by the Director in
16 accordance with this Act, or by the contracting agency with
17 the approval of the Director.

18 ~~(e)~~ Nothing in this Act shall be deemed to impair or
19 modify any war contract or any term or provision of any
20 war contract, which is otherwise valid, without the consent
21 of the war contractor involved.

22 OTHER FUNCTIONS OF THE DIRECTOR

23 SEC. 21. In addition to his other functions under this
24 Act, the Director shall—

25 ~~(a)~~ promote the training of personnel for termina-

1 tion settlement and interim financing by contracting
2 agencies, war contractors, and financing institutions;

3 ~~(b)~~ collaborate with the Smaller War Plants Cor-
4 poration in protecting the interests of smaller war con-
5 tractors in obtaining fair and expeditious termination
6 settlements and interim financing;

7 ~~(c)~~ promote decentralization of the administration
8 of termination settlements and interim financing by
9 fostering delegation of authority within contracting agen-
10 eies and to war contractors, to the extent he deems
11 necessary and feasible;

12 ~~(d)~~ consult with war contractors through advisory
13 committees or such other methods as he deems appro-
14 priate.

15 USE OF APPROPRIATE FUNDS

16 SEC. 22. Any contracting agency is authorized—

17 ~~(a)~~ to use for the purposes authorized in this Act
18 any funds which have heretofore been appropriated or
19 allocated or which may hereafter be appropriated or
20 allocated to it, or which are or may become available
21 to it, for such purposes or for the purposes of war
22 production or war procurement;

23 ~~(b)~~ to use any such funds appropriated, allocated,
24 or available to it for expenditures for or in behalf of any

1 other contracting agency or corporation for the purposes
2 authorized in this Act;

3 (c) to determine by agreement, joint estimate, or
4 any other method authorized by the Director, the part
5 of any expenditure made pursuant to subsection (b)
6 hereof to be paid by each contracting agency concerned
7 and to make transfers of funds between such contracting
8 agencies accordingly.—Transfers of funds between ap-
9 propriations carried upon the books of the Treasury
10 shall be made by the Secretary of the Treasury in
11 accordance with joint requests of the contracting agen-
12 cies involved.

13 DELEGATION OF AUTHORITY

14 SEC. 23. (a) The Director may delegate any authority
15 and discretion conferred by this Act to the head of any
16 Government agency, and may authorize successive redelega-
17 tions of such authority and discretion, upon such terms and
18 conditions as he may prescribe.

19 (b) Subject to any limitations imposed by the Director,
20 the head of any Government agency may delegate any
21 authority and discretion conferred upon him or his agency
22 by or pursuant to this Act to any officer or employee of
23 such agency or to any other Government agency, and may
24 authorize successive redelegations of such authority and
25 discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon them individually by or pursuant to this Act.

(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute or Executive order.

7	SHORT TITLE
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8 SEC. 24. This Act may be cited as the "Contract
9 Settlement Act of 1944".

10 OBJECTIVES OF THE ACT

11 *SECTION 1. The Congress hereby declares that the ob-*
12 *jectives of this Act are—*

(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

16 (b) to assure to prime contractors and sub-
17 contractors, small and large, speedy and equitable final
18 settlement of claims under terminated war contracts,
19 and adequate interim financing until such final settle-
20 ment;

(c) to assure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing;

25 (d) to facilitate the efficient use of materials, man-

1 power, and facilities for war and civilian purposes by
2 providing prime contractors and subcontractors with
3 notice of termination of their war contracts as far in
4 advance of the cessation of work thereunder as is feasi-
5 ble and consistent with the national security;

6 (e) to assure the expeditious removal from the plants
7 of prime contractors and subcontractors of termination
8 inventory not to be retained or sold by the contractor;

9 (f) to use all practicable methods compatible
10 with the foregoing objectives to prevent improper pay-
11 ments and to detect and prosecute fraud.

12 *SURVEILLANCE BY CONGRESS*

13 *SEC. 2. (a) To assist the Congress in appraising the ad-*
14 *ministration of this Act and in developing such amendments*
15 *or related legislation as may further be necessary to accom-*
16 *plish the objectives of the Act, the appropriate committees of*
17 *the Senate and the House of Representatives shall study each*
18 *report submitted to the Congress under this Act and shall*
19 *otherwise maintain continuous surveillance of the operations*
20 *of the Government agencies under the Act.*

(b) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly report on the exercise of his duties and authority under this Act, the status of contract terminations, termination settlements, and interim financing and such other

1 *pertinent information on the administration of the Act as will*
2 *enable the Congress to evaluate its administration and the*
3 *need for amendments and related legislation.*

4 *DEFINITIONS*

5 *SEC. 3. As used in this Act—*

6 *(a) The term “prime contract” means any contract,*
7 *agreement, or purchase order heretofore or hereafter entered*
8 *into by a contracting agency and connected with or related*
9 *to the prosecution of the war; and the term “prime con-*
10 *tractor” means any holder of one or more prime contracts.*

11 *(b) The term “subcontract” means any contract, agree-*
12 *ment, or purchase order heretofore or hereafter entered into*
13 *to perform all or any part of the work, or to make or furnish*
14 *any material to the extent that such material is required for*
15 *the performance of any one or more prime contracts or of*
16 *any one or more other subcontracts; and the term “subcon-*
17 *tractor” means any holder of one or more subcontracts.*

18 *(c) The term “war contract” means a prime contract*
19 *or a subcontract; and the term “war contractor” means any*
20 *holder of one or more war contracts.*

21 *(d) The terms “termination”, “terminate”, and “ter-*
22 *minated” refer to the termination or cancelation, in whole*
23 *or in part, of work under a prime contract for the convenience*
24 *or at the option of the Government (except for default of*

1 *the prime contractor) or of work under a subcontract for*
2 *any reason except the default of the subcontractor.*

3 *(e) The term "material" includes any article, com-*
4 *modity, machinery, equipment, accessory, part, component,*
5 *assembly, work in process, maintenance, repair, and oper-*
6 *ating supplies, and any product of any kind.*

7 *(f) The term "Government agency" means any execu-*
8 *tive department of the Government, or any administrative*
9 *unit or subdivision thereof, any independent agency or any*
10 *corporation owned or controlled by the United States in the*
11 *executive branch of the Government, and includes any con-*
12 *tracting agency.*

13 *(g) The term "contracting agency" means any Gov-*
14 *ernment agency which has been or hereafter may be*
15 *authorized to make contracts pursuant to section 201 of the*
16 *First War Powers Act, 1941, and includes the Reconstruc-*
17 *tion Finance Corporation and any corporation organized*
18 *pursuant to the Reconstruction Finance Corporation Act*
19 *(47 Stat. 5), as amended, and the Smaller War Plants*
20 *Corporation.*

21 *(h) The term "termination claim" means any claim or*
22 *demand by a war contractor for fair compensation for the*
23 *termination of any war contract and any other claim under*
24 *a terminated war contract, which regulations prescribed under*

1 *this Act authorize to be asserted and settled in connection*
2 *with any termination settlement.*

3 *(i) The term "interim financing" includes advance pay-*
4 *ments, partial payments, loans, discounts, advances, and*
5 *commitments in connection therewith, and guaranties of loans,*
6 *discounts, advances, and commitments in connection there-*
7 *with and any other type of financing made in contemplation*
8 *of or related to termination of war contracts.*

9 *(j) The term "Director" means the Director of Contract*
10 *Settlement.*

11 *(k) The term "person" means any individual corpora-*
12 *tion, partnership, firm, association, trust, estate, or other*
13 *entity.*

14 *(l) The term "termination inventory" means any ma-*
15 *terials (including a proper part of any common materials),*
16 *properly allocable to a terminated war contract, except any*
17 *machinery or equipment subject to a separate contract spe-*
18 *cifically governing the use or dispositon thereof.*

19 *(m) The term "final and conclusive", as applied to any*
20 *settlement, findings, or decision, means that such settlement,*
21 *finding, or decision shall not be reopened, annulled, modified,*
22 *set aside, or disregarded by any officer, employee, or agent*
23 *of the United States or in any suit, action, or proceeding.*

1 *DIRECTOR OF CONTRACT SETTLEMENT*

2 *SEC. 4. (a) There is hereby established the Office of*
3 *Contract Settlement which shall be headed by the Director*
4 *of Contract Settlement. The Director shall be appointed by*
5 *the President, by and with the advice and consent of the*
6 *Senate, and shall receive compensation at the rate of \$12,000*
7 *per year, and shall serve for a term of two years.*

8 *(b) In order to insure uniform and efficient adminis-*
9 *tration of the provisions of this Act, the Director, subject to*
10 *such provisions, by general orders or general regulations—*

11 *(1) shall coordinate the activities of all Govern-*
12 *ment agencies under this Act;*

13 *(2) shall prescribe policies, principles, methods, pro-*
14 *cedures, and standards to govern the exercise of their*
15 *authority and discretion and the performance of their*
16 *duties and functions under this Act; and*

17 *(3) may require or restrict the exercise of any*
18 *such authority and discretion, or the performance*
19 *of any such duty or function, to such extent as he*
20 *deems necessary to carry out the provisions of this Act.*

21 *(c) The exercise of any authority or discretion and*
22 *the performance of any duty or function, conferred or im-*
23 *posed on any Government agency by this Act, shall be*
24 *subject to such orders and regulations prescribed by the*
25 *Director pursuant to subsection (b) of this section. Each*

1 Government agency shall carry out such orders and regula-
2 tions of the Director expeditiously, and shall issue such regu-
3 lations with respect to its operations and procedures as may
4 be necessary to carry out the policies, principles, methods,
5 procedures, and standards prescribed by the Director. Any
6 Government agency may issue such further regulations not
7 inconsistent with the general orders or regulations of the
8 Director as it deems necessary or desirable to carry out the
9 provisions of this Act.

10 (d) The Director may, within the limits of funds
11 which may be made available, employ and fix the compen-
12 sation of necessary personnel without regard to the pro-
13 visions of the civil-service laws and the Classification Act
14 of 1923 and make expenditures for supplies, facilities, and
15 services necessary for the performance of his functions under
16 this Act. The Director shall perform the duties imposed
17 upon him through the personnel and facilities of the con-
18 tracting agencies and other established Government agencies,
19 to the extent that this does not interfere with the function of
20 the Director to insure uniform and efficient administration
21 of the provisions of this Act.

22 CONTRACT SETTLEMENT ADVISORY BOARD

23 SEC. 5. There is hereby created a Contract Settlement
24 Advisory Board, with which the Director shall advise and
25 consult. The Board shall be composed of the Director, who

1 shall act as its Chairman, and of the Secretary of War, the
2 Secretary of the Navy, the Secretary of the Treasury, the
3 Chairman of the Maritime Commission, the Administrator of
4 the Foreign Economic Administration, the Chairman of the
5 Board of Directors of the Reconstruction Finance Corpora-
6 tion, the Chairman of the War Production Board, the chair-
7 man of the board of directors of the Smaller War Plants
8 Corporation, and the Attorney General, or any alternate or
9 representative designated by any of them. The Director
10 shall request other Government agencies to participate in
11 the deliberations of the Board whenever matters specially
12 affecting them are under consideration.

13 SETTLEMENT OF TERMINATION CLAIMS

14 SEC. 6. (a) It is the policy of the Government, and it
15 shall be the responsibility of the contracting agencies and
16 the Director, to provide war contractors, in accordance with
17 and subject to the provisions of this Act, with speedy and
18 fair compensation for the termination of any war contract,
19 including, but not limited to, reasonable costs solely incident to
20 termination and settlement, reasonable costs of removing and
21 storing termination inventories, and such allowance for profit
22 on the preparations made and work done for the terminated
23 part of the contract as is reasonable under the circumstances,
24 plus interest on the termination claim in accordance with
25 subsection (c) of this section. Such fair compensation for

1 the termination of subcontracts shall be based on the same
2 principles as compensation for the termination of prime
3 contracts.

4 (b) Where any war contract does not provide for or
5 provides against such fair compensation for its termination,
6 the contracting agency, either before or after its termination,
7 shall amend such war contract by agreement with the war con-
8 tractor, or shall authorize, approve, or ratify an amendment
9 of such war contract by the parties thereto, to provide for
10 such fair compensation.

11 (c) Any contracting agency may settle all or any part of
12 any termination claim under any war contract by agreement
13 with the war contractor, or by determination of the amount due
14 on the claim or part thereof without such agreement, or by any
15 combination of these methods. Where any such settlement
16 is made by agreement, the settlement shall be final and con-
17 clusive, except (1) to the extent otherwise agreed in the
18 settlement; (2) for fraud; (3) upon renegotiation to eliminate
19 excessive profits under the Renegotiation Act, unless
20 exempt or exempted under that Act; or (4) by
21 mutual agreement before or after payment. Where
22 any such settlement is made by determination without
23 agreement, it shall likewise be final and conclusive,
24 subject to the same exceptions as if made by agreement,

1 unless the war contractor appeals or brings suit in accord-
2 ance with section 13 of this Act.

3 (d) Each contracting agency shall allow and pay in-
4 terest on the amount due and unpaid from time to time on
5 any termination claim under a prime contract at the rate of
6 $2\frac{1}{2}$ per centum per annum for the period beginning thirty
7 days after the date fixed for termination and ending with
8 the date of final payment, except that (1) if the prime con-
9 tractor unreasonably delays the settlement of his claim, interest
10 shall not accrue for the period of such delay, (2) if interest
11 for the period after termination on any advance payment
12 or loan, made or guaranteed by the Government, has been
13 waived for the benefit of the contractor, the amount of the
14 interest so waived allocable to the terminated contract or the
15 terminated part of the contract shall be deducted from the
16 interest otherwise payable hereunder, and (3) if after de-
17 livery of findings by a contracting agency, the contractor
18 appeals or sues as provided in section 13, interest shall not
19 accrue after the thirtieth day following the delivery of the
20 findings on any amount allowed by such findings, unless such
21 amount is increased upon such appeal or suit. In approv-
22 ing, ratifying, authorizing, or making termination settlements
23 with subcontractors, each contracting agency shall allow
24 interest on the termination claim of the subcontractor on the

1 same basis and subject to the same conditions as are ap-
2 plicable to a prime contractor.

3 *SEC. 7. (a) Each contracting agency shall establish*
4 *methods and standards, suitable to the conditions of various*
5 *war contractors, for determining fair compensation for the*
6 *termination of war contracts on the basis of actual, standard,*
7 *average, or estimated costs, or of a percentage of the contract*
8 *price based on the estimated percentage of completion of*
9 *work under the terminated contract, or on any other equitable*
10 *basis, as it deems appropriate. To the extent that such*
11 *methods and standards require accounting, they shall be*
12 *adapted, so far as practicable, to the accounting systems*
13 *used by war contractors, if consistent with sound accounting*
14 *practice.*

15 *(b) Where, in connection with the settlement of any*
16 *termination claim by a contracting agency, any war con-*
17 *tractor makes settlements of the termination claims of his*
18 *subcontractors, the contracting agency shall limit or omit*
19 *its review of such settlements with subcontractors to the*
20 *maximum extent compatible with the public interest. Any*
21 *contracting agency (1) may approve, ratify, or authorize*
22 *such settlements with subcontractors upon such evidence, terms,*
23 *and conditions as it deems proper; (2) shall vary the scope*
24 *and intensity of its review of such settlements according to*
25 *the reliability of the war contractor, the size, number, and*

1 complexity of such claims, and other relevant factors; and
2 (3) shall authorize war contractors to make such settlements
3 with subcontractors without review by the contracting agency,
4 whenever the reliability of the war contractor, the amount
5 or nature of the claims, or other reasons appear to the con-
6 tracting agency to justify such action. Any such settlement
7 of a subcontract approved, ratified, or authorized by a con-
8 tracting agency shall be final and conclusive as to the amount
9 due to the same extent as a settlement under subsection (b)
10 of section 6 of this Act, and no war contractor shall be liable
11 to the United States on account of any amounts paid thereon
12 except for his own fraud.

13 (c) Any contracting agency may exercise supervision or
14 control over payments to war contractors on account of
15 termination claims of subcontractors of such war contractors
16 to such extent and in such manner as it deems necessary or
17 desirable for the purpose of assuring the receipt of the benefit
18 of such payments by the subcontractors.

19 (d) The Director shall prescribe policies and methods
20 for the settlement as a group, or otherwise, by any contract-
21 ing agency of some or all of the termination claims of a war
22 contractor under war contracts with one or more (1) bureaus
23 or divisions within a contracting agency, (2) contracting
24 agencies, or (3) prime contractors and subcontractors, to
25 the extent he deems such action necessary or desirable for

1 *expeditious and equitable settlement of such claims. After*
2 *consulting with the contracting agencies concerned, the Di-*
3 *rector may provide for assigning any war contractor to a*
4 *contracting agency for such settlement, and such agency shall*
5 *have authority to settle, on behalf of any other contracting*
6 *agency, some or all of the termination claims of such war*
7 *contractor.*

8 *(e) Any contracting agency may settle directly termination*
9 *claims of subcontractors to the extent that it deems such action*
10 *necessary or desirable for the expeditious and equitable set-*
11 *tlement of such claims. In making such termination settle-*
12 *ments any contracting agency may discharge the claim of*
13 *the subcontractor by payment or may purchase such claim,*
14 *and may agree to assume, or indemnify the subcontractor*
15 *against, any claims by any person in connection with such*
16 *claim or the termination settlement. Any contracting agency*
17 *undertaking to settle the termination claim of any subcon-*
18 *tractor shall deliver to the subcontractor and the war con-*
19 *tractor liable to him written notice stating its acceptance of*
20 *responsibility for settling his claim and the conditions appli-*
21 *cable thereto, which may include the release or assignment*
22 *to the contracting agency, of his claim against the war con-*
23 *tractor liable to him; upon consent thereto by the subcon-*
24 *tractor, the Government shall become liable for the settlement*
25 *of his claims upon the conditions specified in the notice.*

1 (f) Any contracting agency may make settlements with
2 subcontractors in accordance with any of the provisions of
3 this Act without regard to any limitation on the amount pay-
4 able by the Government to the prime contractor.

5 (g) If any contracting agency determines that in the
6 circumstances of a particular case equity and good con-
7 science require fair compensation for the termination of a war
8 contract to be paid to a subcontractor who has been deprived of
9 and cannot otherwise reasonably secure such fair compensa-
10 tion, the contracting agency concerned may pay such com-
11 pensation to him although such compensation already has
12 been included and paid as part of a settlement with another
13 war contractor.

14 INTERIM FINANCING

15 SEC. 8. (a) It is the policy of the Government, and it
16 shall be the responsibility of the contracting agencies and the
17 Director, in accordance with and subject to the provisions
18 of this Act, to provide war contractors having any termina-
19 tion claim or claims, pending their settlement, with adequate
20 interim financing, within thirty days after proper application
21 therefor.

22 (b) Each contracting agency shall, to the greatest ex-
23 tent it deems practicable, make available interim financing
24 through loans and discounts, and commitments and guar-
25 anties in connection therewith, in contemplation of or related

1 to termination of war contracts. Where interim financing is
2 made by advance payments or partial payments, it shall, inso-
3 far as practicable, consist of the following:

4 (1) An amount equal to 100 per centum of the amount
5 payable, at the contract price, on account of acceptable items
6 completed prior to the termination date under the terms of
7 the contract, or completed thereafter with the approval of the
8 contracting agency; plus

9 (2) An amount equal to 90 per centum of the cost of
10 raw materials, purchased parts, supplies, direct labor, and
11 manufacturing overhead allocable to the terminated part of
12 the war contract; plus

13 (3) A reasonable percentage of other allowable costs,
14 including administrative overhead, allocable to the terminated
15 war contract not included in the foregoing; plus

16 (4) Such additional amounts, if any, as the contracting
17 agency deems necessary or desirable in the public interest.

18 (5) In lieu of the costs referred to in clauses (2) and
19 (3) of this subsection, where a detailed ascertainment of such
20 costs is not suitable to the conditions of any war contractor
21 and is apt to cause delay in the obtaining of interim financing
22 by him, that portion of such interim financing shall be equal
23 to an amount not greater than 90 per centum of the estimated
24 costs which are allocable to the terminated part or parts of
25 the war contract or group of war contracts, and are ascer-

1 *tained in accordance with such methods and standards as the*
2 *Director shall prescribe.*

3 *(6) There shall be deducted from the amount of such*
4 *interim financing any unliquidated balances of advance and*
5 *partial payments theretofore made to such war contractor,*
6 *which are allocable to the terminated war contract or the*
7 *terminated part of the war contract.*

8 *(c) The Director shall prescribe (1) the types of esti-*
9 *mates, certificates, or other evidence to be required to support*
10 *such interim financing; (2) the terms and conditions upon*
11 *which such interim financing shall be made including the use*
12 *of standard forms for agreements with respect to such interim*
13 *financing to the extent practicable; (3) the classes of cases*
14 *in which such interim financing shall be refused; and (4)*
15 *such methods of supervision and control over such interim*
16 *financing as he deems necessary or desirable to assure ade-*
17 *quate and speedy interim financing to subcontractors of the*
18 *war contractor.*

19 *(d) Whenever he deems such action necessary or desirable*
20 *to protect the Government's interest, the Director may pre-*
21 *scribe such penalties as he deems proper for any overstate-*
22 *ment by any war contractor of the amount due on his termina-*
23 *tion claim or claims in connection with any interim financing*
24 *under this Act, but no such penalty shall exceed 6 per centum*
25 *per annum on the amount of such overstatement. Any*

1 such penalty may be deducted from any amounts due the
2 war contractor upon such termination claim or claims, or
3 otherwise, or may be collected from the war contractor by
4 suit. The obligation to pay any such penalty and to repay
5 any interim financing made or assumed by the United States
6 under this Act shall constitute a debt due to the United States
7 within the meaning of Revised Statutes, section 3466 (31
8 U. S. C., sec. 191).

9 (e) And contracting agency may allow any advance
10 payments, previously made or authorized by it in connec-
11 tion with the performance of a war contract, to be used
12 for payments and expenses related to the termination settle-
13 ment of such contract, upon such terms and conditions as it
14 deems necessary or appropriate to protect the interest of
15 the Government.

16 (f) No interim financing shall be made by any contract-
17 ing agency under this Act unless the terms of such financing
18 provide for the liquidation by the war contractor of all
19 loans, discounts, advance payments, or partial payments
20 thereunder not later than the time of final payment of the
21 amount due on the settlement of the termination claim or claims
22 of the war contractor involved or such time thereafter as
23 the contracting agency deems necessary for the liquidation of
24 such interim financing in an orderly manner.

25 (g) Any contracting agency may settle, upon such terms

1 and conditions as it deems proper, any claim or obligation due
2 by or to the Government arising from or related to any in-
3 terim financing made, acquired, or authorized by it. Any
4 interim financing made, acquired, or authorized by any con-
5 tracting agency before the effective date of this Act shall be
6 valid to the extent it would be authorized under the provisions
7 of this Act if made after its effective date.

8 SEC. 9. (a) Any contracting agency may make advance
9 or partial payments to any war contractor on account of
10 any termination claim or claims, and may authorize, ap-
11 prove, or ratify any such advance or partial payments by
12 any war contractor to his subcontractors, upon such condi-
13 tions as it deems necessary to insure compliance with the
14 provisions of subsection (b) of this section. Each contract-
15 ing agency shall make final payments from time to time on
16 partial settlements or on settlements fixing a minimum amount
17 due before complete settlement, or as tentative payments be-
18 fore any settlement of the claim or claims.

19 (b) Where any such advance or partial payment is
20 made to any war contractor by any contracting agency or
21 by another war contractor under this section, except a final
22 payment on a partial settlement, any amount in excess of
23 the amount finally determined to be due on the termination
24 claim shall be treated as a loan from the Government to
25 the war contractor receiving it, and shall be payable upon

1 demand together with a penalty computed at the rate of
2 6 per centum per annum, for the period from the date such
3 excess advance or partial payment is received to the date
4 on which such excess is repaid or extinguished. Where the
5 advance or partial payment was made by a war contractor
6 and authorized, approved, or ratified by any contracting
7 agency, the war contractor making it shall not be liable for
8 any such excess payment in the absence of fraud on his part
9 and shall receive payment or credit from the Government
10 for the amount of such excess payment.

11 SEC. 10. (a) Any contracting agency is authorized—

12 (1) to enter into contracts with any Federal Re-
13 serve bank, or other public or private financing institu-
14 tion, guaranteeing such financing institution against loss
15 of principal or interest on loans, discounts, or advances
16 or on commitments in connection therewith, which such
17 financing institution may make to any war contractor
18 or to any person who is or has been engaged in perform-
19 ing any operation deemed by such contracting agency
20 to be connected with or related to war production, for
21 the purpose of financing such war contractor or other
22 person in connection with or in contemplation of the
23 termination of one or more such war contracts or opera-
24 tions;

25 (2) to make, enter into contracts to make, or to

1 *participate with any Government agency, any Federal*
2 *Reserve bank or public or private financing institution*
3 *in making loans, discounts, or advances, or commitments*
4 *in connection therewith, for the purpose of financing any*
5 *such war contractor or other person in connection with*
6 *or in contemplation of the termination of such war con-*
7 *tracts or operations.*

8 *(b) Any such loan, discount, advance, guaranty, or com-*
9 *mitment in connection therewith may be secured by assignment*
10 *of, or covenants to assign, some or all of the rights of such*
11 *war contractor or other person in connection with the ter-*
12 *mination of such war contracts or operations, or in such*
13 *other manner as the contracting agency may prescribe.*

14 *(c) Subject to such regulations as the Board of Gover-*
15 *nors of the Federal Reserve System may prescribe with the*
16 *approval of the Director, any Federal Reserve bank is au-*
17 *thorized to act, on behalf of the contracting agencies, as fiscal*
18 *agent of the United States in carrying out the purposes of*
19 *this Act.*

20 *(d) This section shall not limit or affect any authority*
21 *of any contracting agency, under any other statute, to make*
22 *loans, discounts, or advances, or commitments in connection*
23 *therewith or guaranties thereof.*

24

ADVANCE NOTICE

25

SEC. 11. (a) In order to facilitate the efficient use of

1 materials, manpower, and facilities for war and civilian pur-
2 poses, each contracting agency—

3 (1) shall provide its prime contractors with notice
4 of termination of their prime contracts as far in advance
5 of the cessation of work thereunder as is feasible and
6 consistent with the national security without permitting
7 unneeded production or performance;

8 (2) shall permit the continuation of some or all of
9 the work under a terminated prime contract whenever
10 the agency deems that such continuation will benefit the
11 Government or is necessary to avoid substantial injury
12 to the plant or property.

13 (b) Whenever a contracting agency hereafter directs a
14 prime contractor to cease or suspend all or a substantial part
15 of the work under a prime contract, without terminating the
16 contract, then, unless the contract provides otherwise, (1) the
17 contracting agency shall compensate the contractor for reason-
18 able costs and expenses resulting from such cessation or sus-
19 pension, and (2) if the cessation or suspension extends for
20 thirty days or more, the contractor may elect to treat it
21 as a termination by delivering written notice of his election
22 so to do to the contracting agency, at any time before the
23 contracting agency directs the prime contractor to resume
24 work under the contract.

25 (c) The Director shall have no authority under this

1 *Act to regulate or control the classes of contracts to be*
2 *terminated by the contracting agencies.*

3 *REMOVAL AND STORAGE OF MATERIALS*

4 *SEC. 12. (a) It is the policy of the Government, upon*
5 *the termination of any war contract, to assure the expeditious*
6 *removal from the plant of the war contractor of the termina-*
7 *tion inventory not to be retained or sold by the war contractor.*

8 *(b) Any war contractor may submit to the contracting*
9 *agency concerned or to any other Government agency desig-*
10 *nated by the Director, one or more statements showing the*
11 *materials which such war contractor claims to be termination*
12 *inventory under one or more war contracts and desires to*
13 *have removed by the Government. Such statements shall be*
14 *prepared in such form and detail, shall be submitted in such*
15 *manner, through the prime contractor or otherwise, and shall*
16 *be supported by such certificates or other data, as may be*
17 *prescribed under this Act.*

18 *(c) Within sixty days after the submission of any such*
19 *statement by a war contractor, or such shorter period as*
20 *may be prescribed under this Act, or within such longer period*
21 *as the war contractor may agree, the Government agency*
22 *concerned (1) shall arrange, upon such terms and conditions*
23 *as may be agreed, for the storage by the war contractor on*
24 *his own premises or elsewhere of all such claimed termination*
25 *inventory which the war contractor does not retain or dis-*

1 pose of, except any part which may be determined not to be
2 allocable to the terminated war contract or contracts, or
3 (2) shall remove from the plant or plants of the war con-
4 tractor all of such claimed termination inventory not retained,
5 disposed of, or stored by the war contractor or determined
6 not to be allocable to the terminated war contract or contracts.

7 (d) Upon the failure of the Government so to arrange
8 for storage by the war contractor or to remove any termina-
9 tion inventory within the period specified under subsection
10 (c) of this section, the war contractor, subject to regulations
11 prescribed under this Act, may remove some or all of such
12 termination inventory from his plant or plants and may
13 store it on his own premises or elsewhere for the account
14 and at the risk and expense of the Government, using reason-
15 able care for its transportation and preservation. If any
16 war contractor intends so to remove any claimed termination
17 inventory, he shall deliver to the Government agency con-
18 cerned written notice of the date fixed for removal and a state-
19 ment showing the quantities and condition of the materials
20 so to be removed, certified on behalf of the war contractor
21 to have been prepared in accordance with a concurrent
22 physical inventory of such materials. Such notice and state-
23 ment shall be delivered at least twenty days in advance of
24 the date fixed for removal and may be delivered before or
25 after the expiration of the period specified under subsection

1 (c) of this section. If the Government agency fails to check
2 such materials, at or before the time of their removal by
3 the war contractor, a certificate of the war contractor specifying
4 the materials shown on such statement which were so
5 removed, and filed with the Government agency concerned
6 within thirty days after the date fixed for removal, shall
7 constitute prima facie evidence against the United States as
8 to the quantities and condition of the material so removed,
9 and the fact of their removal.

10 (e) Notwithstanding any other provisions of law, but
11 subject to subsection (h) of this section, the contracting agency
12 concerned or the Director, or any Government agency designated
13 by him, on behalf of the United States, may, by the
14 exercise of any contract rights or otherwise, acquire and take
15 possession of any termination inventory of any war contractor,
16 and any materials removed by the Government or
17 stored for its account under subsections (c) and (d) of this
18 section, even if such materials are finally determined not
19 to constitute termination inventory. With respect to any
20 such materials, the Government shall be liable to any war
21 contractor concerned only for their return to such war
22 contractor or for their disposal value at the time of their
23 removal or for the proceeds realized by the Government from
24 their disposal, at the election of the Government agency concerned,
25 unless the Government agency and the war contractor

1 agree or have agreed on a different basis. Any amount so
2 paid or payable to a war contractor for materials allocable
3 to a terminated war contract shall be credited against the
4 termination claim under such contract but shall not other-
5 wise affect the amount due on the claim, unless the Govern-
6 ment agency concerned and the war contractor agree or have
7 agreed otherwise. Any materials to which the Director takes
8 title under this section shall be delivered for disposal to any
9 appropriate Government agency authorized to make such
10 disposal.

11 (f) No contracting agency shall postpone or delay any
12 termination settlement beyond the period specified in subsection
13 (c) of this section for the purpose of awaiting disposal by
14 the war contractor or the Government of any termination
15 inventory reported in accordance with subsection (b) of this
16 section.

17 (g) Whenever any war contractor no longer requires,
18 for the performance of any war contract, any Government-
19 owned machinery, tools, or equipment installed in his plant
20 for the performance of one or more war contracts, the Govern-
21 ment agency concerned, upon written demand by the war
22 contractor, and within sixty days after such demand or such
23 other period as may be prescribed under this Act, and upon
24 such conditions as may be so prescribed, shall remove or pro-
25 vide for the removal of such machinery, tools, or equipment

1 from such plant, unless the Government agency concerned and
2 the war contractor, by facilities contract or otherwise, have
3 made or make other provision for the retention, storage,
4 maintenance, or disposition of such machinery, tools, or equip-
5 ment. The Government agency concerned may waive or
6 release on behalf of the United States any obligation of the
7 war contractor with respect to such machinery, tools, or equip-
8 ment upon such terms and conditions as the agency deems ap-
9 propriate. Upon the failure of the Government so to remove
10 or provide for removal of any such machinery, tools, or equip-
11 ment, the war contractor, subject to regulations prescribed
12 under this Act, may remove all or part of such machinery,
13 tools, or equipment from his plant and may store it on his own
14 premises or elsewhere, for the account and at the risk and
15 expense of the Government, using reasonable care for its
16 transportation and preservation.

17 (h) Nothing in this Act shall limit or affect the author-
18 ity of the War Department, Navy Department, or Maritime
19 Commission, respectively, to take over any termination in-
20 ventories and to retain them for their use for any purpose
21 or to dispose of such termination inventories for the purpose
22 of war production, or to authorize any war contractor to
23 retain or dispose of such termination inventories for the
24 purpose of war production.

25 (i) Nothing in this section shall be construed to prevent

1 *the removal and storage of any termination inventory by any*
2 *war contractor, at his own risk, at any time after termination*
3 *of any war contract to which it is allocable.*

4 *APPEAL*

5 *SEC. 13. (a) Whenever the contracting agency respon-*
6 *sible for settling any termination claim has not settled the claim*
7 *by agreement or has so settled only a part of the claim, (1)*
8 *the contracting agency at any time may determine the amount*
9 *due on such claim or such unsettled part, and prepare written*
10 *findings indicating the basis of the determination, and deliver*
11 *a copy of such findings to the war contractor, or (2) if the*
12 *termination claim has been submitted in the manner and*
13 *substantially the form prescribed under this Act, the con-*
14 *tracting agency, upon written demand by the war contractor*
15 *for such findings, shall determine the amount due on the*
16 *claim or unsettled part and prepare and deliver such find-*
17 *ings to the war contractor within ninety days after the*
18 *receipt by the agency of such demand. In preparing such*
19 *findings, the contracting agency may require the war con-*
20 *tractor to furnish such information and to submit to such*
21 *audits as may be reasonably necessary for that purpose.*
22 *Within thirty days after the delivery of any such findings,*
23 *the contracting agency shall pay to the war contractor at least*
24 *90 per centum of the amount thereby determined to be due,*

1 after deducting the amount of any outstanding interim
2 financing applicable thereto.

3 (b) Whenever any war contractor is aggrieved by the
4 findings of a contracting agency on his claim or part thereof
5 or by its failure to make such findings in accordance with
6 subsection (a) of this section, he may, at his election—

7 (1) appeal to the Appeal Board in accordance
8 with subsection (d) of this section; or

9 (2) bring suit against the United States for such
10 claim or such part thereof, in the Court of Claims or in a
11 United States district court, in accordance with sub-
12 section (20) of section 24 of the Judicial Code (28 U. S.
13 C. 41 (20)), except that, if the contracting agency is
14 the Reconstruction Finance Corporation, or any cor-
15 poration organized pursuant to the Reconstruction
16 Finance Corporation Act (47 Stat. 5), as amended,
17 the suit shall be brought against such corporation in any
18 court of competent jurisdiction in accordance with exist-
19 ing law.

20 (c) Any proceeding under subsection (b) of this sec-
21 tion shall be governed by the following conditions:

22 (1) When any contracting agency provides a proce-
23 dure within the agency for protest against such findings
24 or for other appeal therefrom by the war contractor, the
25 war contractor, before proceeding under subsection (b) of

1 *this section, (i) in his discretion may resort to such pro-*
2 *cedure within the time specified in his contract or,*
3 *if no time is specified, within thirty days after the*
4 *delivery to him of the findings; and (ii) shall resort*
5 *to such procedure for protest or other appeal to the extent*
6 *required by the Director, but failure of the contracting*
7 *agency to act on any such required protest or appeal*
8 *within thirty days shall operate as a refusal by the agency*
9 *to modify its findings. Any revision of the findings by*
10 *the contracting agency, upon protest or appeal within*
11 *the agency, shall be treated as the findings of the agency*
12 *for the purpose of appeal or suit under subsection (b)*
13 *of this section. Notwithstanding any contrary provision*
14 *in any war contract, no war contractor shall be required*
15 *to protest or appeal from such findings within the con-*
16 *tracting agency except in accordance with this paragraph.*

17 *(2) A war contractor may initiate proceedings in*
18 *accordance with subsection (b) of this section (i) within*
19 *ninety days after delivery to him of the findings by the*
20 *contracting agency, or (ii) in case of protest or appeal*
21 *within the agency, within ninety days after the determi-*
22 *nation of such protest or appeal, or (iii) in case of fail-*
23 *ure to deliver such findings, within one year after his*
24 *demand therefor. If he does not initiate such proceed-*
25 *ings within the time specified, he shall be precluded there-*

1 after from initiating any proceedings in accordance with
2 subsection (b) of this section, and the findings of the con-
3 tracting agency shall be final and conclusive, or if no
4 findings were made, he shall be deemed to have waived
5 such termination claim.

6 (3) Notwithstanding any contrary provision in any
7 war contract, the Appeal Board or court shall not be
8 bound by the findings of the contracting agency, but
9 shall treat such findings as *prima facie* correct, and the
10 burden shall be on the war contractor to establish that
11 the amount due on his claim or part thereof exceeds
12 the amount allowed by the findings of the contracting
13 agency. Whenever the Appeal Board or court finds that
14 the war contractor failed to negotiate in good faith with
15 the contracting agency for the settlement of his claim or
16 part thereof before appeal or suit thereon, or failed to
17 furnish to the agency any information reasonably re-
18 quested by it regarding his termination claim or part
19 thereof, or failed to prosecute diligently any protest or
20 appeal required to be taken under subsection (c) (1)
21 (ii) of this section, the Appeal Board or court (i) may
22 refuse to receive in evidence any information not sub-
23 mitted to the contracting agency; (ii) may deny in-
24 terest on the claim or part thereof for such period as
25 it deems proper; or (iii) may remand the case to the

1 *contracting agency for further proceedings upon such*
2 *terms as the Appeal Board or court may prescribe.*
3 *Unless the case is remanded, the Appeal Board or*
4 *court shall enter the appropriate award or judg-*
5 *ment on the basis of the law and facts, and may*
6 *increase or decrease the amount allowed by the findings*
7 *of the contracting agency.*

8 *(4) When a war contractor has initiated such pro-*
9 *ceedings by one method under subsection (b) of this*
10 *section, he shall be precluded from initiating proceedings*
11 *on the same claim by any other method.*

12 *(5) Any such proceedings shall not affect the*
13 *authority of the contracting agency concerned to make*
14 *a settlement of the termination claim, or any part thereof,*
15 *by agreement with the war contractor at any time before*
16 *such proceedings are concluded.*

17 *(d) (1) The Director shall appoint an Appeal Board,*
18 *composed of such number of members as he deems necessary*
19 *from time to time to hear appeals under this section. He*
20 *shall, without regard to the provisions of the civil-service laws*
21 *and the Classification Act of 1923, appoint and fix the com-*
22 *pensation and term of office of the members of the Appeal*
23 *Board.*

24 *(2) Panels of one or more members may act for the*
25 *Appeal Board and shall sit from time to time in localities*

1 throughout the country, reasonably convenient for war con-
2 tractors having proceedings before them. A panel of one
3 member of the Appeal Board may hear any appeal when-
4 ever (i) the amount in controversy in the appeal is \$25,000
5 or less; or (ii) the amount in controversy exceeds \$25,000,
6 but the war contractor taking the appeal fails to demand a
7 panel of three members at the time of filing his appeal. A
8 decision of the Appeal Board or of any panel thereof shall
9 be final and conclusive and shall not be subject to review
10 by any court or other agency.

11 (3) The Director or, if authorized by him, the Appeal
12 Board shall prescribe the practice and procedure to govern
13 proceedings for the Appeal Board. The Appeal Board or
14 any panel thereof shall have power to administer oaths to
15 witnesses and to compel by subpoena the attendance of wit-
16 nesses, and the production of books, papers, documents, and
17 other records. All provisions of law (including penalties
18 and provisions relating to self-incrimination) applicable with
19 respect to subpoenas issued under the Federal Trade Com-
20 mission Act shall be applicable with respect to subpoenas issued
21 by the Appeal Board insofar as such provisions are not
22 inconsistent with the provisions of this Act.

23 (e) The contracting agency responsible for settling any
24 claim and the war contractor asserting the claim, by agree-
25 ment, may submit all or any part of the termination claim

1 to arbitration, without regard to the amount in dispute. Such
2 arbitration proceedings shall be governed by the provisions of
3 the United States Arbitration Act. Any such arbitration
4 award shall be final and conclusive upon the United States
5 to the same extent as a settlement by agreement under sub-
6 section (b) of section 6.

7 (f) Whenever any dispute exists between any war con-
8 tractor and a subcontractor regarding any termination claim,
9 either of them, by agreement with the other, may submit the
10 dispute—

11 (1) to the Appeal Board in accordance with sub-
12 section (d) of this section;

13 (2) to a contracting agency for mediation or arbi-
14 tration whenever authorized by the agency or required
15 by the Director.

16 Any award or decision in such proceedings shall be final
17 and conclusive as to the parties so submitting any such dispute
18 and shall not be questioned by the United States in settling
19 any related claim, in the absence of fraud or collusion.

20 COURT OF CLAIMS

21 SEC. 14. (a) For the purpose of expediting the adjudi-
22 cation of termination claims, the Court of Claims is author-
23 ized to appoint not more than ten auditors and not more
24 than twenty commissioners in addition to those provided
25 for by the Act of February 24, 1925 (ch. 301, 43 Stat.

1 964), as amended by the Act of June 23, 1930 (ch. 573,
2 46 Stat. 799), and the provisions of said Act shall apply
3 to such additional commissioners in all respects as if they
4 had been appointed thereunder without limitation as to
5 nature of duties which they may be called upon to perform.

6 (b) The Attorney General, under such rules as the
7 Court of Claims shall prescribe, may cause any and all
8 persons with legal capacity to sue and be sued, wherever
9 located, actually to be notified, or on specific order of
10 the court, to be notified by publication, and if within the
11 jurisdiction of the United States, at the discretion of the
12 Attorney General, to be served with subpoena, to appear as a
13 party or parties in any suit or proceeding of any nature
14 whatsoever pending in said court and to assert and defend
15 their interests, if any, in such suits or proceedings, within
16 such period of time prior to judgment as the Court of Claims
17 shall prescribe. Upon failure so to appear, any and all
18 claims or interests in claims of any such person against the
19 United States, in respect of the subject matter of such suit
20 or proceeding, shall forever be barred and the court shall
21 have jurisdiction to enter judgment pro confesso upon any
22 claim or contingent claim asserted on behalf of the United
23 States against any party who, having been duly served with
24 subpoena, fails to respond thereto, to the same extent and with
25 like effect as if such party had appeared and had admitted

1 the truth of all allegations made on behalf of the United
2 States. Upon appearance by any party pursuant to any
3 such notice or subpoena, the case as to such party shall, for
4 all purposes, be treated as if an independent proceeding had
5 been instituted by such party pursuant to section 145 of the
6 Judicial Code, as amended, and as if such independent pro-
7 ceeding had then been consolidated, for purposes of trial and
8 determination, with the case in respect of which the notice
9 or subpoena was issued, except that the United States shall
10 not be heard upon any counterclaims, claims for damages or
11 other demands whatsoever against such party, other than
12 claims and contingent claims for the recovery of money here-
13 after paid by the United States in respect of the transaction
14 or matter which constitutes the subject matter of such case,
15 unless and until such party shall assert therein a claim, or
16 an interest in a claim, against the United States, and the
17 Court of Claims shall have jurisdiction to adjudicate, as
18 between any and all adverse claimants, their respective
19 several interests in any matter in suit and to award several
20 judgments in accordance therewith.

21 (c) The jurisdiction of the Court of Claims shall not
22 be affected by this Act except to the extent necessary to
23 give effect to this Act, and no party shall recover judg-
24 ment on any claim, or on any interest in any claim,

1 *in said court which such party would not have had a right*
2 *to assert if this section had not been enacted.*

3 *PERSONAL FINANCIAL LIABILITY*

4 *SEC. 15. (a) Whenever any payment is made from*
5 *Government funds to any war contractor or other person*
6 *as an advance, partial or final payment on any termination*
7 *claim, or pursuant to any loan, guaranty, or agreement for*
8 *the purchase of any loan, or any commitment in connection*
9 *therewith, entered into by the Government, no officer or*
10 *other Government agent authorizing or approving such pay-*
11 *ment or settlement, or certifying the voucher for such pay-*
12 *ment, or making the payment in accordance with a duly*
13 *certified voucher, shall be personally liable for such pay-*
14 *ment, in the absence of fraud on his part. In settling the*
15 *accounts of any disbursing officer the General Accounting*
16 *Office shall allow any such disbursements made by him not-*
17 *withstanding any other provisions of law.*

18 *(b) For the purpose of making termination settlements*
19 *or interim financing any Government agency is authorized*
20 *to rely upon such certificates of war contractors as it deems*
21 *proper and to permit war contractors and other persons to*
22 *rely upon such certificates without financial liability in the*
23 *absence of fraud on their part.*

24 *THE GENERAL ACCOUNTING OFFICE*

25 *SEC. 16. (a) Any other provision of law notwithstanding-*

ing, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud.

(b) Whenever the General Accounting Office believes that any settlement was induced by fraud, the Comptroller General of the United States shall report all of the facts relating thereto to the Director, to the Department of Justice, and to the contracting agency concerned, but shall not suspend or withhold, or direct, or require any contracting agency to suspend or withhold, by set-off or otherwise, any amounts owing to the war contractor by the United States under such settlement or otherwise and shall not suspend credit to any disbursing officer for any disbursements made by him under such settlement. In any such case the contracting agency on its own initiative may, and upon order of the Director shall, take such action as it deems appropriate to recover or withhold payments to such war contractor.

(c) The Comptroller General may investigate the settle-

ments completed by each contracting agency for the purpose of reporting to the Congress from time to time on—

(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this Act and the orders and regulations of the Director;

(2) whether such methods and procedures are followed by such agency with care and efficiency; and

(3) whether such methods and procedures adequately protect the interest of the Government.

If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this Act. At least thirty days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this Act except to the extent necessary to give effect to the specific provisions thereof.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

SEC. 17. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a valid contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

(c) Where a contracting agency fails to settle by agreement any claim asserted under this section, the dispute shall be subject to the provisions of section 13 of this Act.

1 (d) The Director shall require each contracting agency
2 to formalize all such obligations and commitments within
3 such period as the Director deems appropriate.

4 RECORDS, FORMS, AND REPORTS

5 SEC. 18. (a) The Director shall establish policies for
6 such supervision and review within the contracting agencies
7 of termination settlements and interim financing as he deems
8 necessary and appropriate to prevent and detect fraud and
9 to assure uniformity in administration and to provide for
10 expeditious settlements. For this purpose he shall prescribe
11 (1) such records to be prepared by the contracting agencies
12 and by war contractors as he deems necessary in connection
13 with such settlements and interim financing; and (2) the
14 records in connection therewith to be transmitted to the Gen-
15 eral Accounting Office. He shall seek to reduce the amount
16 of record keeping, reporting, and accounting in connection
17 with the settlement of termination claims and interim financ-
18 ing to the minimum compatible with the reasonable protection
19 of the public interest. Each contracting agency shall pre-
20 scribe forms for use by war contractors in connection with
21 termination settlements and interim financing to the extent
22 it deems necessary and feasible.

23 (b) The Director shall require the Government agencies
24 performing functions under this Act to prepare such infor-
25 mation and reports regarding terminations of war contracts,

1 settlements of termination claims, and interim financing, as
2 he deems necessary to assist him in appraising their oper-
3 ations or to assist him or other Government agencies in
4 performing their functions under this Act, and may pre-
5 scribe the terms and conditions upon which such information
6 and reports shall be made available to other Government
7 agencies. The Director may require any Government agency
8 to furnish such information under its control as he deems
9 necessary for the performance of his functions under this Act,
10 but any such agency, in its discretion, may furnish any such
11 information deemed by it to affect the national security only
12 to the Director himself.

13 (c) The Director, by regulation, shall provide for
14 making available to any interested Government agency
15 such advance notice and other information on cut-
16 backs in war production resulting from terminations or
17 failures to renew or extend war contracts, as he deems neces-
18 sary and appropriate.

19 (d) The Director shall make such investigations as he
20 deems necessary or desirable in connection with termination
21 settlements and interim financing. For this purpose he may
22 utilize the facilities of any existing agencies and if he deter-
23 mines that the facilities of existing agencies are inadequate, he
24 may establish a unit in the Office of Contract Settlement to
25 supplement and facilitate the work of existing agencies. He

1 shall report to the Department of Justice any information
2 received by him indicating any fraudulent practices, for
3 appropriate action.

4 PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

5 SEC. 19. (a) It shall be unlawful for any person will-
6 fully to secrete, mutilate, obliterate, or destroy, or cause to
7 be secreted, mutilated, obliterated, or destroyed—

8 (i) any records of a war contractor relating to the
9 negotiation, award, performance, payment, interim
10 financing, cancelation or other termination, or settlement
11 of a war contract of \$25,000 or more; or

12 (ii) any records of a war contractor and any pur-
13 chaser relating to any disposition of termination inven-
14 tory in which the consideration received by any war
15 contractor or any Government agency is \$5,000 or more,
16 until (1) five years after such disposition of termination
17 inventory by such war contractor or Government agency, or
18 (2) five years after the final settlement of such war contract,
19 or (3) five years after the termination of hostilities in the
20 present war as proclaimed by the President or by a concur-
21 rent resolution of the two Houses of Congress, whichever
22 applicable period is longer.

23 As used in this subsection, the term "records" includes,
24 but is not limited to, books, ledgers, checks and check stubs, pay-
25 roll data, vouchers, memoranda, correspondence, inspection

1 reports and certificates. Any corporation violating any provi-
2 sion of this subsection shall be fined not more than \$50,000
3 and any natural person violating any provision of this sub-
4 section shall be fined not more than \$10,000, or imprisoned
5 for not more than five years, or both: Provided, however,
6 That the Director, by regulation, may authorize the destruc-
7 tion of such records upon such terms and conditions as he
8 deems appropriate, which may include the making and re-
9 taining of photographs or microphotographs. Photographs
10 or microphotographs of any records made in compliance with
11 such regulations of the Director shall have the same force and
12 effect as the originals thereof would have and shall be treated
13 as originals for the purpose of admissibility in evidence.

14 (b) The first section of the Act of August 24, 1942
15 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is
16 amended to read as follows:

17 "The running of any existing statute of limitations ap-
18 plicable to any offense against the laws of the United States
19 (1) involving defrauding or attempts to defraud the United
20 States or any agency thereof whether by conspiracy or not,
21 and in any manner, or (2) committed in connection with
22 the negotiation, procurement, award, performance, payment
23 for, interim financing, cancelation or other termination or
24 settlement, of any contract, subcontract, or purchase order
25 which is connected with or related to the prosecution of the

1 present war, or with any disposition of termination inventory
2 by any war contractor or Government agency, shall be sus-
3 pended until three years after the termination of hostilities
4 in the present war as proclaimed by the President or by a
5 concurrent resolution of the two Houses of Congress.

6 This section shall apply to acts, offenses, or transactions where
7 the existing statute of limitations has not yet fully run, but
8 it shall not apply to acts, offenses, or transactions which are
9 already barred by provisions of existing law."

10 (c) (1) Every person who makes or causes to be made,
11 or presents or causes to be presented to any officer, agent,
12 or employee of any Government agency any claim, bill,
13 receipt, voucher, statement, account, certificate, affidavit, or
14 deposition, knowing the same to be false, fraudulent, or
15 fictitious or knowing the same to contain or to be based
16 on any false, fraudulent, or fictitious statement or entry, or
17 who shall cover up or conceal any material fact, or who
18 shall use or engage in any other fraudulent trick, scheme, or
19 device, for the purpose of securing or obtaining, or aiding
20 to secure or obtain, for any person any benefit, payment,
21 compensation, allowance, loan, advance, or emolument from
22 the United States or any Government agency in connection
23 with the termination, cancelation, settlement, payment, nego-
24 tiation, renegotiation, performance, procurement, or award
25 of a contract with the United States or with any other person,

1 and every person who enters into an agreement, combina-
2 tion, or conspiracy so to do, shall forfeit and refund any such
3 benefit, payment, compensation, allowance, loan, advance,
4 and emolument received as a result thereof and shall in
5 addition pay to the United States the sum of \$2,000 for
6 each such act, and double the amount of any damage which
7 the United States may have sustained by reason thereof,
8 together with the costs of suit.

9 (2) The several district courts of the United States,
10 the District of Columbia, the several district courts of the
11 Territories of the United States, within whose jurisdictional
12 limits the person, or persons, doing or committing such act,
13 or any one of them, resides or shall be found, shall, whereso-
14 ever such act may have been done or committed, have full
15 power and jurisdiction to hear, try, and determine such suit,
16 and such person or persons as are not inhabitants of or found
17 within the district in which suit is brought may be brought
18 in by order of the court to be served personally or by
19 publication or in such other reasonable manner as the court
20 may direct.

21 (d) The provisions of section 35-A of the Criminal
22 Code (18 U. S. C., sec. 80) shall apply to any statement,
23 representation, bill, receipt, voucher, roll, account, claim,
24 certificate, affidavit, or deposition made or used or caused

1 to be made or used for any purpose under this Act or under
2 any regulations pursuant to this Act.

3 GENERAL PROVISIONS

4 SEC. 20. (a) Each contracting agency shall have authority,
5 notwithstanding any provisions of law other than contained
6 in this Act, (1) to make any contract necessary and ap-
7 propriate to carry out the provisions of this Act; (2) to
8 amend by agreement any existing contract, either before or
9 after notice of its termination, on such terms and to such
10 extent as it deems necessary and appropriate to carry out
11 the provisions of this Act; and (3) in settling any termina-
12 tion claim, to agree to assume, or indemnify the war con-
13 tractor against, any claims by any person in connection with
14 such termination claims or settlement. This subsection shall
15 not limit or affect in any way any authority of any contract-
16 ing agency under the First War Powers Act, 1941, or under
17 any other statute.

18 (b) Any contracting agency may prescribe the amount
19 and kind of evidence required to identify any person as a
20 war contractor, or any contract, agreement, or purchase
21 order as a war contract for any of the purposes of this Act.
22 Any determination so made that any person is a war con-
23 tractor, or that any contract, agreement, or purchase order
24 is a war contract, shall be final and conclusive for any of
25 the purposes of this Act.

1 (c) There are hereby authorized to be appropriated
2 such sums as may be necessary for administering the provi-
3 sions of this Act.

4 (d) All policies and procedures relating to termination
5 of war contracts, termination settlements, and interim financ-
6 ing, prescribed by the Director of War Mobilization or any
7 contracting agency, in effect upon the effective date of this
8 Act, and not inconsistent with this Act, shall remain in full
9 force and effect unless and until superseded by the Director
10 in accordance with this Act, or by regulations of the con-
11 tracting agency not inconsistent with this Act or the policies
12 prescribed by the Director.

13 (e) Nothing in this Act shall be deemed to impair or
14 modify any war contract or any term or provision of any
15 war contract or any assignment of any claim under a war
16 contract, without the consent of the parties thereto, if the
17 war contract, or the term, provision, or assignment thereof,
18 is otherwise valid.

19 (f) Any contracting agency shall authorize or direct its
20 officers and employees to advise, aid, and assist war con-
21 tractors in preparing and presenting termination claims, in
22 obtaining interim financing, and in related matters, to such
23 extent as it deems desirable. If the officer or employee receives
24 therefor no benefit or compensation of any kind, directly or
25 indirectly, from any war contractor, such advice, aid, or

1 assistance shall be treated as part of his official duties and
2 shall not constitute a violation of section 109 of the Criminal
3 Code (18 U. S. C. 198) or of any other law.

4 OTHER FUNCTIONS OF THE DIRECTOR

5 SEC. 21. In addition to his other functions under this
6 Act, the Director shall—

7 (a) promote the training of personnel for termina-
8 tion settlement and interim financing by contracting
9 agencies, war contractors, and financing institutions;

10 (b) collaborate with the Smaller War Plants Cor-
11 poration in protecting the interests of smaller war con-
12 tractors in obtaining fair and expeditious termination
13 settlements and interim financing;

14 (c) promote decentralization of the administration
15 of termination settlements and interim financing by
16 fostering delegation of authority within contracting agen-
17 cies and to war contractors, to the extent he deems
18 necessary and feasible;

19 (d) consult with war contractors through advisory
20 committees or such other methods as he deems appro-
21 priate.

22 USE OF APPROPRIATED FUNDS

23 SEC. 22. Any contracting agency is authorized—

24 (a) to use for interim financing, the payment of
25 claims, and for any other purposes authorized in this

1 *Act any funds which have heretofore been appropriated*
2 *or allocated or which may hereafter be appropriated or*
3 *allocated to it, or which are or may become available*
4 *to it, for such purposes or for the purposes of war*
5 *production or war procurement;*

6 *(b) to use any such funds appropriated, allocated,*
7 *or available to it for expenditures for or in behalf of any*
8 *other contracting agency for the purposes authorized in*
9 *this Act;*

10 *(c) to determine by agreement, joint estimate, or*
11 *any other method authorized by the Director, the part*
12 *of any expenditure made pursuant to subsection (b)*
13 *hereof to be paid by each contracting agency concerned*
14 *and to make transfers of funds between such contracting*
15 *agencies accordingly. Transfers of funds between ap-*
16 *propriations carried upon the books of the Treasury shall*
17 *be made by the Secretary of the Treasury in accordance*
18 *with joint requests of the contracting agencies involved.*

19 DELEGATION OF AUTHORITY

20 *SEC. 23. (a) The Director may delegate any authority*
21 *and discretion conferred upon him by this Act to any*
22 *Deputy Director, and may delegate such authority and*
23 *discretion, upon such terms and conditions as he may pre-*
24 *scribe, to the head of any Government agency to the extent*

1 necessary to the handling and solution of problems peculiar
2 to that agency.

3 (b) The head of any Government agency may delegate
4 any authority and discretion conferred upon him or his
5 agency by or pursuant to this Act to any officer, agent, or
6 employee of such agency or to any other Government agency,
7 and may authorize successive redelegations of such authority
8 and discretion.

9 (c) Any two or more Government agencies may exer-
10 cise jointly any authority and discretion conferred upon each
11 of them individually by or pursuant to this Act.

12 (d) Nothing in this Act shall prevent the Director from
13 exercising any authority conferred upon him by any other
14 statute or Executive order.

15 *APPLICABILITY*

16 *SEC. 24. (a) This Act shall become effective twenty*
17 *days after the date of its enactment. The provisions of para-*
18 *graphs (b), (c), (d), and (e), of section 12, and of sections*
19 *6, 7, 8, 9, 10, and 13 shall not be applicable in the case of*
20 *any terminated war contract which has been finally settled at*
21 *or before the effective date of this Act.*

22 (b) Nothing in this Act shall limit or affect any authority
23 conferred by the Act of March 11, 1941 (55 Stat. 31), as
24 amended, or Acts supplemental thereto.

1 *SEC. 25. Subject to policies prescribed by the Director,*
2 *any contracting agency may exempt from some or all of the*
3 *provisions of this Act (a) any war contract made or to be per-*
4 *formed outside the continental limits of the United States or in*
5 *Alaska, or (b) any termination inventory situated outside of*
6 *the continental limits of the United States or in Alaska, or*
7 *(c) any modification of a war contract pursuant to its terms*
8 *for the purpose of changing plans or specifications applicable*
9 *to the work without substantially reducing its extent.*

10 *SEPARABILITY OF PROVISIONS*

11 *SEC. 26. If any provision of this Act, or the application*
12 *of such provision to any person or circumstance, is held in-*
13 *valid, the remainder of this Act or the application of such*
14 *provision to persons or circumstances other than those as to*
15 *which it is held invalid, shall not be affected thereby.*

16 *SHORT TITLE*

17 *SEC. 27. This Act may be cited as the "Contract Settle-*
18 *ment Act of 1944".*

A BILL

[Report No. 336]

To provide for the settlement of claims arising from terminated war contracts, and for other purposes.

By Mr. MURRAY and Mr. GEORGE

FEBRUARY 11 (legislative day, FEBRUARY 7), 1944
Read twice and referred to the Committee on Military
Affairs

MAY 2 (legislative day, APRIL 12), 1944
Reported with an amendment



OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

78th-2nd, No. 78

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued May 4, 1944, for actions of Wednesday, May 3, 1944)

(For staff of the Department only)

CONTENTS

A.A.A.....	32	Insecticides.....	35	Price control..	11,29,32,37
Appropriations.....	33	Investigations.....	16,17	Priorities.....	40
Dairy industry.....	24	Irrigation.....	18	Purchasing.....	13
Daylight saving.....	9	Labor.....	14,39	Rationing.....	38
Electrification.....	8,12	Lend-lease.....	27	Research.....	16,30
Flood control.....	3,12,15,22a,34	Minerals.....	26	Rubber.....	30
Food adm. (general).....	6	National flower.....	20	Small business.....	4,7
Food distribution.....	5	Organic Act of 1944.....	1	Taxation.....	2,19
	22,24,31,32	Personnel.....	10	Transportation.....	8,36
Food production.....	16,22a,25,26	Post-war planning.....	28	Water pollution.....	21
Forestry.....	23,26				

HOUSE

1. ORGANIC ACT OF 1944. Reps. Flannagan, Va., Cooley, N.C., Pace, Ga., Hope, Kans., and Johnson, Ill., were appointed conferees on H.R. 4278, the Pace points-of-order bill (p. 4001). Senate conferees were appointed May 2.
2. TAXATION. Began general debate on H.R. 4646, to provide for the simplification of the income-tax return (pp. 4049-64).
3. FLOOD CONTROL. Received the War Department's flood-control survey reports on the Hungry Horse Dam, Mont., Cheat River, W.Va., and the Youghiogheny River, Pa. To Flood Control Committee. (pp. 4064-5).
4. WPB REPORT. Received WPB's eleventh report of operations. To Banking and Currency Committee. (p. 4065.)

SENATE

5. SCHOOL-LUNCH PROGRAM. Sen. Langer, N.Dak., urged continuation of the school-lunch program and inserted a Christian Science Monitor article, "Senate Acts to Salvage School-Lunch Program" (p. 3999).
6. FOOD ADMINISTRATION. Sen. Langer, N.Dak., criticized the Department's handling of the food program, referring particularly to poultry and eggs, and inserted a constituent's letter on the subject (pp. 3976-7).
7. SMALL BUSINESS. Received WPB's 11th bimonthly report relating to the Smaller War Plants Corporation. To Banking and Currency Committee. (p. 3961.)

8. TRANSPORTATION; ELECTRIFICATION. Received several Odgensburg (N.Y.) C of C resolutions urging the construction of the St. Lawrence seaway and power project (p. 3962).
9. DAYLIGHT-SAVING TIME. Sen. Capper, Kans., inserted a resolution from several Kans. granges urging the restoration of standard time (p. 3963).
10. PERSONNEL; RETIREMENT. Sen. Mead, N.Y., submitted an amendment which he intends to propose to H.R. 4320, which limits the computation of interest on retirement-refund claims of persons having rendered less than five years' service to a monthly basis (p. 3964).
11. PRICE CONTROL. Sen. Johnson, Colo., submitted amendments which he intends to propose to S. 1764, to amend the Emergency Price Control Act of 1942 (p. 3964).
12. FLOOD CONTROL; ELECTRIFICATION. Sen. Maybank, S.C., urged approval of his S. 1876, to provide for flood control and navigation improvements in the basins of the rivers in S.C. and the basins of the Peele and for the disposition of surplus electric energy generated by the Federal flood control and navigation improvements in the basins of such rivers and included letters from the Federal Power Commission and the Budget Bureau favoring the recommendations of the bill (pp. 3973-6).
13. PURCHASING. Began debate on S. 1718, to provide for settlement of claims arising from terminated war contracts (pp. 3971, 3980-97).
14. WARD SEIZURE. Agreed, with amendment, to S. Res. 286, directing the Judiciary Committee to investigate the seizure of the Montgomery Ward plant (pp. 3997-9).

BILLS INTRODUCED

15. FLOOD CONTROL. By Sen. Clark, Mo., S. 1887, to provide for emergency flood-control work made necessary by recent floods. To Commerce Committee (p. 3964.)
16. SYNTHETIC FIBERS. By Sen. Bankhead, Ala., S. Res. 291, authorizing an investigation with respect to the use of rayon and other synthetic products as substitutes for cotton and wool. To Agriculture Committee. (p. 3964.)
17. INVESTIGATION; IRRIGATION. By Sen. Gillette, Iowa, S.J.Res. 128, relating to the employment of counsel to the subcommittee of the Committee of Agriculture and Forestry of the Senate investigating certain matters. To Judiciary Committee. (p. 3964.)
18. IRRIGATION. By Sen. Langer, N. Dak., S. 1889, to provide for use and delivery for irrigation purposes of waters stored at Fort Peck Dam, Mont. To Irrigation and Reclamation Committee. (p. 3964.)
19. TAXATION. By Rep. Lane, Mass., H.R. 4738, to repeal the automobile-use tax. To Ways and Means Committee. (p. 4065.)
20. NATIONAL FLOWER. By Rep. Robertson, Va., H.R. 4740, to designate the white flowering American dogwood as the national flower. To Library Committee. (p. 4065.)
21. WATER-POLLUTION. By Rep. Spence, Ky., H. R. 4741, to provide for water-pollution control activities in the U.S. Public Health Service. To Rivers and Harbors Committee. (p. 4065.)

78TH CONGRESS
2D SESSION

S. 1718

IN THE SENATE OF THE UNITED STATES

MAY 3 (legislative day, APRIL 12), 1944

Ordered to be printed

AMENDMENTS

Proposed by Mr. KILGORE to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, viz: On page 37, after line 9, insert the following:

1 TITLE I—DEVELOPMENT AND EXECUTION OF
2 WAR MOBILIZATION AND POST-WAR ADJUST-
3 MENT PROGRAMS

4 SEC. 101. The Congress hereby declares that the objec-
5 tives of this Act are—

6 (a) To achieve the necessary war production which is
7 indispensable to the speediest victory through the maximum
8 mobilization and utilization of the Nation's natural and in-
9 dustrial resources and of the manpower not in the armed

1 forces, and through the wartime stabilization of the civilian
2 economy;

3 (b) To insure that the great momentum of the war
4 mobilization which is bringing victory to our arms will
5 not be lost, but will be reconverted into a peacetime tran-
6 sition program providing for full production, full employ-
7 ment at adequate wages, and full consumption in a steadily
8 expanding civilian economy with rising standards of living
9 for all; and

10 (c) To provide for the development of a unified pro-
11 gram to secure the foregoing objectives, and the necessary
12 coordination of the activities of the Federal agencies engaged
13 in or concerned with: Production, procurement, distribution,
14 or transportation of military or civilian supplies, materials,
15 and products; economic stabilization; war production cut-
16 backs; settlement of claims under terminated war contracts;
17 disposition of surplus war property; resumption and ex-
18 pansion of civilian goods production; the training and place-
19 ment of returning servicemen and civilian workers in war
20 and peacetime industry and agriculture; and other programs
21 affecting war mobilization and peacetime production and
22 employment.

23 SEC. 102. (a) There is hereby established the Office
24 of War Mobilization and Adjustment (hereinafter called
25 the Office), at the head of which shall be the Director of

1 War Mobilization and Adjustment. The Director shall be
2 appointed by the President, with the advice and consent
3 of the Senate, and shall receive compensation at the rate of
4 \$15,000 per annum.

5 (b) There is hereby established in the Office a Bureau
6 of Programs headed by a Chief, who shall be appointed by
7 the President, with the advice and consent of the Senate,
8 and shall receive compensation at the rate of \$12,000 per
9 annum.

10 (c) The following Administrations are hereby created
11 within the Office of War Mobilization: (1) The Surplus
12 War Property Administration; (2) the Contract Settlement
13 Administration; (3) the Retraining and Reemployment Ad-
14 ministration. Each of these Administrations shall be headed
15 by an Administrator, appointed by the President, with the
16 advice and consent of the Senate; and each shall receive
17 compensation at the rate of \$12,000 per annum.

18 (d) The Director, the Chief of the Bureau of Programs,
19 and the several Administrators, except as herein otherwise
20 provided, may employ and fix the compensation and define
21 the authority and duties of such officers and members, and
22 may make such expenditures for supplies, facilities, and serv-
23 ices as may be necessary to carry out the provisions of this
24 Act. All appointments shall be made in accordance with
25 the provisions of civil-service laws and regulations and Clas-

1 sification Act of 1923, as amended, except that expert tech-
2 nical and professional personnel may be employed without
3 regard to these laws and regulations where deemed desir-
4 able by the Director, the Chief of the Bureau of Programs,
5 or the several Administrators, as the case may be.

6 SEC. 103. (a) It shall be the function of the Director,
7 subject to the direction and control of the President—

8 (1) to unify the programs and activities of Federal
9 agencies engaged in or concerned with: Production, pro-
10 curement, distribution, or transportation of military or
11 civilian supplies, materials, and products; economic sta-
12 bilization; war production cut-backs; settlement of claims
13 under terminated war contracts; disposition of surplus
14 war property; resumption and expansion of civilian
15 goods production; the training and placement of re-
16 turning servicemen and civilian workers in war and
17 peacetime industry and agriculture; and other programs
18 affecting war mobilization and peacetime production
19 and employment; and

20 (2) to issue such directives on program, policy,
21 and operations to the Federal agencies as may be neces-
22 sary to carry out the programs developed and the policies
23 established by the Office under this Act. It shall be the
24 duty of all such agencies and departments to execute

1 such directives, and to supply such data and make such
2 progress reports to the Office as the Office may require.

3 (b) The Office may perform the functions, exercise the
4 powers, authority, and discretion conferred on it by this Act
5 through such officials and such agencies and in such manner
6 as the Director may determine.

7 SEC. 104. It shall be the function of the Chief of the
8 Program Bureau, subject to direction and control of the
9 Director—

10 (1) to review the programs of the several Federal
11 agencies which are subject to the direction of the Office
12 and to recommend to the Director such modifications as
13 are deemed necessary to assure fulfillment of the objec-
14 tives of this Act;

15 (2) to make periodic progress reports to the Di-
16 rector which shall assess current performance on ap-
17 proved programs;

18 (3) to require Government agencies performing
19 functions under this Act to prepare such data and re-
20 ports as are necessary to permit the review of the pro-
21 grams and the making of the progress reports required
22 in this section;

23 (4) to evaluate and report on current and projected
24 public and private activities affecting war mobilization

1 and peacetime full production and employment, and sur-
2 vey continuously the necessity for additional programs
3 or legislation as will achieve the objectives of this Act.
4 The surveys shall include (without being limited there-
5 to) programs and measures for public works, housing,
6 taxation, industrial and regional development, expansion
7 of foreign trade, social security, and the maintenance
8 of competitive enterprise; and

9 (5) to consult and cooperate with State and local
10 governments, industrial, labor, agricultural, and other
11 groups (national and local) concerning the fulfillment
12 of the objectives of the Act.

13 (b) The Office shall transmit to the Senate and House
14 of Representatives within three months after the approval of
15 this Act and thereafter at intervals not exceeding three
16 months a summary of the progress reports, program reviews,
17 surveys, and legislative and other recommendations prepared
18 by the Bureau.

19 SEC. 105 (a) There is hereby created within the Office
20 a National Production-Employment Board (hereinafter
21 called the Board) consisting of three representatives of in-
22 dustry, three representatives of labor, three representatives
23 of agriculture, and three representatives of the consuming
24 public, who shall be appointed by the President: *Provided*,
25 That each member of the Board may designate an alternate

1 to sit and act for him. The Board shall elect a chairman
2 from among its own members and shall, by a majority vote
3 of its members, determine its rules of procedure, except as
4 otherwise defined by this Act, and the powers conferred
5 on the Board by this Act may be exercised by a majority
6 vote.

7 (b) It shall be the general function of the Board, and
8 each member individually, to endeavor to secure maximum
9 cooperation and participation of the American people in war
10 mobilization and post-war adjustment, and to provide the
11 Office with such advice and guidance as the members deem
12 will promote the objectives of this Act. The Board and
13 each individual member thereof shall have full access to all
14 data in the Office bearing on the effectiveness and adequacy
15 of War Mobilization and Post-War Adjustment.

16 (c) The Chief of the Bureau of Programs shall serve
17 as the executive secretary of the Board. He shall prepare,
18 under the direction of the Board, such reviews of programs,
19 reports, and studies as the Board may request, and for these
20 purposes shall exercise on behalf of the Board the full facili-
21 ties of the Office and the powers conferred on the Office by
22 this Act. The Board may make to the Congress, to the
23 Director, the several administrators of the Office, and to
24 other Federal officials performing functions subject to the
25 direction of the Office, such recommendations relating to

1 legislation, policy, and operations as it may deem necessary
2 to fulfill the purposes of this Act. All such recommendations
3 and all reports and studies issued by the Board shall be
4 supplemented by such statements or comments as any in-
5 dividual member may wish included.

6 (d) The Director, the several administrators of the
7 Office, the Chairman of the War Production Board, and
8 such other Federal officials performing functions subject to
9 direction by the Office as shall be designated by the Board,
10 shall meet with it at least once a month and shall consult
11 and advise with it on all basic policies and programs which
12 are subject to direction by the Office;

13 (e) All Federal agencies performing functions subject
14 to the jurisdiction of the Office shall, with respect to policies,
15 programs, and operations affecting industrial segments or
16 geographical areas, consult and advise with joint councils
17 which shall be representative, in the particular area or
18 industrial segment, of industry, large and small, labor, and
19 wherever appropriate, agriculture. All such industrial seg-
20 ment or area joint councils shall be appointed by the Direc-
21 tor, with the advice and consent of the Board.

22 (f) All appointments of members or alternates to the
23 Board, and of members of the area and industry to the joint
24 councils; may be made without regard to any of the pro-
25 visions of law with respect to the appointment and com-

1 pensation of employees of the United States. Members
2 and alternates of the Board and of the joint advisory councils
3 shall serve without remuneration, except for per diem allow-
4 ances as shall be prescribed by the Director, not to exceed
5 \$25 each day spent in the actual performance of duty, plus
6 necessary traveling and other expenses incurred while so
7 engaged.

8 (g) The Office shall provide for the Board an adequate
9 technical and clerical staff which shall serve under its im-
10 mediate supervision. The Director shall appoint, with the
11 advice and consent of the consumer representatives, a con-
12 sumer's counsel who shall, together with such staff as he
13 may need, serve under the supervision of the consumer
14 representatives in providing the Board with full information
15 on the effect of current and projected programs and policies
16 on consumer interests.

17 TITLE II—WAR PRODUCTION CHANGES AND
18 RECONVERSION

19 SEC. 201. Subject to the direction and control of the
20 Office, the Chairman of the War Production Board shall—

21 (a) Review the military production programs of the
22 several Federal procurement agencies for the purpose of
23 coordinating such programs and synchronizing curtailments
24 with the resumption of civilian goods production;

1 (b) Establish unified policies and programs for the ex-
2 pansion, transfer, and curtailment of military production and
3 for the resumption and expansion of civilian production cov-
4 ering specific products, firms, industry segments, and geo-
5 graphical areas;

6 (c) Develop programs for the curtailment of military
7 production and industrial reconversion based upon assumed
8 military developments on stated dates.

9 SEC. 202. The Chairman of the War Production Board,
10 or the official to whom he shall delegate the authority and
11 responsibilities set forth in section 201, shall advise and
12 consult with a Production Program and Reconversion Com-
13 mittee, which shall consist of one representative each of the
14 following: War Department, Navy Department, State De-
15 partment, Maritime Commission, Foreign Economic Admin-
16 istration, War Manpower Commission, Office of Price
17 Administration, Smaller War Plants Corporation, Office of
18 Civilian Requirements, the vice chairman for Labor Pro-
19 duction and Manpower Requirements, and such other
20 representatives of such Federal agencies as the Chairman of
21 the War Production Board may designate.

22 SEC. 203. In order to enable the War Production Board
23 effectively to discharge its responsibilities under this title,
24 each Federal procurement agency shall continuously survey
25 its material and product requirements and shall report to the

1 War Production Board as soon as practicable every projected
2 change in its procurement program, including the award of
3 new contracts and the modification, transfer, or termination
4 of contracts previously awarded. The procurement agencies
5 shall supply such other data as the War Production Board
6 shall require for the purpose of this title. The procurement
7 agencies shall maintain such records and make such reports
8 to the War Production Board as the Board may require to
9 appraise the compliance of the procurement agencies with the
10 programs and policies established by the Board.

11 SEC. 204. In formulating programs and policies for war
12 production and reconversion, the War Production Board and
13 the Production Program and Reconversion Committee shall,
14 so far as practicable, give effect to the following objectives:

15 (a) Necessary war production for our armed forces and
16 those of our allies shall be expedited and maintained without
17 impairment.

18 (b) Curtailments of war production shall be pro-
19 grammed so as to permit the utilization without delay of the
20 released manpower and facilities in the production of other
21 war products or civilian goods.

22 (c) Resumption and expansion of production of specific
23 civilian items shall, so far as practicable, be in the order of
24 essentiality to the domestic civilian economy and to the needs
25 of reconstruction abroad.

1 (d) Subject to the overriding requirements of war pro-
2 duction, full consideration shall be given to the production
3 and manpower resources of the industrial segments, geo-
4 graphic areas, and concerns affected by curtailment and re-
5 conversion programs. The small business contractor shall
6 not be discriminated against in the termination of contracts
7 because of slightly higher costs of production, nor shall small
8 business concerns, if war contracts are not available to them,
9 be prevented from entering civilian goods production fields
10 merely because larger concerns in the same fields are still
11 engaged in war production. Resumption of civilian goods
12 programs shall give particular consideration to smaller busi-
13 ness concerns, especially in those fields which have been most
14 adversely affected by the necessities of war production.

15 SEC. 205. The Chairman of the War Production Board
16 may establish special boards for the purpose of hearing ap-
17 peals from decisions of the War Production Board with re-
18 spect to production curtailment and reconversion on the
19 grounds of discrimination.

20 TITLE III—DISPOSITION OF SURPLUS WAR

21 PROPERTY

22 SEC. 301. It shall be the function of the Administrator
23 of the Surplus War Property Administration (hereinafter
24 in this title referred to as the Administrator and Adminis-

1 tration, respectively), subject to the direction and control
2 of the Director—

3 (a) To handle and dispose of surplus war property
4 upon such terms as he shall deem necessary, subject to the
5 provisions of this Act;

6 (b) To have general supervision and direction of the
7 transfer of any surplus war property in the possession of
8 any Government agency to any other Government agency;

9 (c) To assign surplus property for disposal by the few-
10 est number of Federal agencies practicable and to centralize
11 in one disposal agency responsibility for the disposal of all
12 property of the same type or class;

13 (d) To prescribe regulations and issue directives neces-
14 sary to provide, so far as practicable, for uniform and wide
15 public notice concerning surplus property available for sale,
16 and for uniform and adequate time intervals between notice
17 and sale so that all interested purchasers, large and small,
18 shall have a fair opportunity to buy; and

19 (e) To prescribe regulations and issue directives neces-
20 sary to effectuate the provisions of this title; and no Govern-
21 ment agency shall transfer or dispose of surplus war property
22 in contravention thereof.

23 SEC. 302. The Administrator shall regularly advise and
24 consult with a Surplus War Property Committee. The

1 committee shall be composed of one representative each
2 of the State Department, Treasury Department, War De-
3 partment, Navy Department, Justice Department, Recon-
4 struction Finance Corporation, Smaller War Plants Cor-
5 poration, United States Maritime Commission, War
6 Production Board, Office of Price Administration, Bureau
7 of the Budget, War Food Administration, Federal Works
8 Agency, Civil Aeronautics Board, and the Foreign Economic
9 Administration.

10 SEC. 303. Each Government agency shall submit to the
11 Administrator such information and reports with respect
12 to surplus war property in such form and at such times
13 as the Administrator shall direct. When requested by the
14 Administrator, a Government agency shall execute such
15 documents for the transfer of title or for any other purposes
16 or take such steps as the Administrator shall determine to
17 be necessary or proper to transfer or dispose of surplus war
18 property or otherwise to carry out the provisions of the
19 Act.

20 SEC. 304. In formulating regulations and directives
21 governing the handling and disposition of surplus war prop-
22 erty, the Administrator and Committee on Surplus War
23 Property shall give effect to the following objectives:

24 (a) Aid maximum war production by facilitating the
25 transfer of property which may be surplus in one Govern-

1 ment agency to meet the requirements of other Government
2 agencies;

3 (b) Promote full production and employment of labor
4 and natural resources in all sections of the country;

5 (c) Aid small business concerns to achieve and main-
6 tain maximum production and to preserve and strengthen
7 their competitive position in an economy of free enter-
8 prise;

9 (d) Aid ex-servicemen to establish and maintain their
10 own small business enterprises;

11 (e) Avoid economic dislocations resulting from uncon-
12 trolled dumping of such surpluses;

13 (f) Discourage monopolistic practices and insure fair
14 prices to the consumers;

15 (g) Sell such surpluses in such quantities and on such
16 terms as will discourage disposals to speculators or for specu-
17 lative purposes;

18 (h) Establish and develop foreign markets through
19 the programmed exports of such surpluses; and

20 (i) Obtain the highest return for the Government con-
21 sistent with the foregoing objectives.

22 SEC. 305. The Administrator may perform the func-
23 tions and exercise the powers, authority, and discretion
24 conferred on the Administration by this Act by such officials
25 and such agencies and in such manner as the Administrator,

1 subject to the provisions of this Act, may determine. In
2 carrying out the purposes of this Act, the Administration
3 may utilize the services of any other Government agency.

4 SEC. 306. Each disposal agency, immediately upon
5 assignment thereto of any surplus property and before
6 undertaking disposal to the public, shall transmit detailed
7 inventories thereof to the Bureau of the Budget, the Smaller
8 War Plants Corporation, and the Foreign Economic Admin-
9 istration, which agencies shall have priority in acquiring
10 such surplus for the purposes and in the order and manner
11 following:

12 (a) The Bureau of the Budget shall have the right to
13 acquire any surplus property for transfer to any Government
14 agency which needs it. Such transfer shall be made upon
15 such terms and with such charge to the appropriation of the
16 transferee for the value thereof as the Bureau of the Budget
17 shall prescribe in accordance with existing law.

18 (b) The Smaller War Plants Corporation, subject to
19 the authority of the Director, shall have the right to acquire
20 any surplus property for sale or other transfer to small busi-
21 ness when in its judgment such acquisition is required to
22 carry out the policy of the Act to preserve and strengthen the
23 competitive position of small business.

24 (c) The Foreign Economic Administration shall have
25 the right to acquire any surplus property in the United States

1 for sale or other transfer abroad in such quantities as the head
2 of the agency charged with the disposal of such property
3 and the Foreign Economic Administration shall agree upon.

4 SEC. 307. The Administrator may prescribe regulations
5 to provide for the disposition of surplus property to States,
6 political subdivisions thereof, and tax-supported institutions
7 as follows:

8 (a) Surplus property which has been acquired by the
9 Federal Government for school, classroom, or other educa-
10 tional use may be transferred to the Office of Education in
11 the Federal Security Administration for donation to tax-
12 supported educational institutions.

13 (b) Surplus property for which the estimated cost of
14 handling, storage, and sale would exceed the estimated pro-
15 ceeds of commercial sale, may be donated to States, political
16 subdivisions thereof, or tax-supported institutions.

17 (c) Any surplus property may be sold or leased to
18 States, political subdivisions thereof, or tax-supported insti-
19 tutions at discounts not to exceed 50 per centum of the sale
20 or lease value thereof, as the case may be.

21 SEC. 308. (a) Whenever surplus property proposed for
22 sale or other transfer to private interests shall comprise a
23 plant or group of plants or other property representing an
24 original cost to the Government of \$1,000,000 or more, the

1 Administrator, before consummating the sale or transfer
2 shall cause to be published in the Federal Register the terms
3 and other pertinent circumstances of the proposed sale or
4 transfer and shall request the Attorney General to render an
5 opinion in writing whether, in his judgment, the proposed
6 sale or transfer will encourage monopoly or undue concentra-
7 tion of industry or commerce, or restrain competition sub-
8 stantially. If the Attorney General shall find that such pro-
9 posed sale or transfer will encourage monopoly or undue con-
10 centration of industry or commerce, or restrain competition
11 substantially, the Administrator shall not consummate the
12 proposed transfer. If the Attorney General shall fail to
13 render an opinion within thirty days of receipt of a request
14 therefor (or within such additional period not to exceed sixty
15 days which he may specifically request) the Administrator
16 may proceed with the proposed sale or transfer on his own
17 responsibility. The failure of the Attorney General to render
18 an opinion shall not be construed as a bar to prosecution for
19 violation of the antitrust laws.

20 (b) Every contract of sale (or other transfer) of the
21 property referred to in subsection (a) shall contain suitable
22 provisions prohibiting subsequent transfers within a period
23 of three years next succeeding the effective date of the con-
24 tract unless such subsequent transfer is approved by the
25 Administrator. Before approving an application for sub-

1 sequent transfer, the Administrator shall refer the matter to
2 the Attorney General as required in subsection (a) of this
3 section.

4 (c) Every contract for the sale, or lease for two years or
5 more, of a plant shall be made upon the condition that the
6 purchaser, lessee, or transferee, and their transferees, if any,
7 shall maintain the plant in substantial operation and pro-
8 duction for a period of two years next succeeding the ef-
9 fective date of the contract, and that upon breach of such
10 condition, the Government may recover the plant upon
11 return of the consideration due.

12 (d) Every agency engaged in the disposition of surplus
13 property shall maintain in each of its disposal offices full
14 records of its inventories of surplus property and of each
15 of the disposal transactions negotiated by such office and
16 shall make such records available for inspection by the
17 public.

18 (e) At least ten days before advertising for bids or
19 posting notice of sale or transfer by other means, every
20 disposal agency shall notify the nearest regional office of the
21 Smaller War Plants Corporation of the proposed terms of
22 disposal specifying the minimum quantities on which bids
23 or offers will be received and the credit terms, if any, for
24 the purpose of permitting the Smaller War Plants Corpora-

1 tion to advise the disposal agency if, in its judgment, the pro-
2 posed terms discriminate against small business purchasers.

3 SEC. 309. No option to purchase or otherwise acquire
4 Government-owned property which is held by any person
5 shall be honored except in strict conformity with the price
6 and other terms of such option. In the event of failure
7 validly to exercise such an option, the property shall be
8 disposed of in accordance with the applicable provisions of
9 this Act.

10 SEC. 310. No Government agency shall dispose of any
11 Government-owned plant for the production of aircraft, air-
12 craft parts, synthetic rubber, aluminum, magnesium, or steel,
13 or any Government-owned ship, shipyard, or pipe line, which
14 represents an original cost to the Government of \$1,000,000
15 or more, unless such disposition is required by a valid con-
16 tract provision in effect upon the enactment of this Act:
17 *Provided*, That the Administrator may authorize the lease
18 of such surplus property for a term not to exceed three
19 years in accordance with the provisions of section 308.
20 The Administrator shall prepare a report on the alterna-
21 tive means of disposal of such property and shall submit
22 such report together with his recommendations to Congress.

23 SEC. 311. Except as may be otherwise provided by
24 existing law, all proceeds from the sale or other disposition

1 of surplus property under this Act shall be deposited and
2 covered into the Treasury as miscellaneous receipts.

3 SEC. 312. The Administrator shall transmit to Congress
4 in January, April, July, and October of each year a report
5 of operations under this Act, including regulations, orders,
6 and directives of the Administrator, and summaries of each
7 disposal in which the property involved represented an origi-
8 nal cost to the Government of \$1,000,000 or more.

9 TITLE IV—RETRAINING AND REEMPLOYMENT
10 OF WAR WORKERS AND RETURNING
11 SERVICEMEN

12 SEC. 401. The Congress hereby declares that the ob-
13 jectives of this title are—

14 (a) To facilitate the most effective mobilization and
15 maximum utilization of the Nation's manpower in the
16 prosecution of the war;

17 (b) To maintain maximum employment in the tran-
18 sition from war to peacetime production;

19 (c) To provide for the coordination of the demobiliza-
20 tion of servicemen with employment opportunities under a
21 policy of demobilizing servicemen as rapidly as the military
22 situation permits;

23 (d) To provide necessary training of ex-servicemen
24 and war workers; and

1 (e) To provide the necessary economic assistance to
2 returning ex-servicemen and war workers in connection
3 with transfer, training, and reemployment.

4 SEC. 402. It shall be the function of the Administrator
5 of the Retraining and Reemployment Administration (here-
6 inafter referred to as the Work Administrator), subject to
7 the discretion and control of the Director, to establish a
8 unified reemployment program covering recruitment, train-
9 ing, transfer, and placement of returning servicemen and
10 workers in war and civilian production. The reemploy-
11 ment program shall include provision for compiling full
12 detail on declining and increasing employment opportunities
13 (by industrial segments, geographic areas, and plants) result-
14 ing from curtailment in war production and resumption of
15 civilian production; for placement of workers in appropriate
16 employment; and for interim financing of workers, including
17 returning servicemen, pending placement in accordance with
18 the authority of this title. The Work Administrator shall
19 prescribe regulations and issue directives to Federal agencies
20 necessary to effectuate the objectives of this title and all such
21 Federal agencies shall be governed by these.

22 SEC. 403. The Work Administrator shall consult and
23 advise with a Committee on Retraining and Reemployment,
24 consisting of one representative from each of the following:
25 Department of Labor, Veterans' Administration, War Man-

1 power Commission (for the War Manpower Commission
2 and the Federal Security Agency), War Production Board,
3 Selective Service System, Civil Service Commission, War
4 Department, Navy Department, and such other Federal
5 agencies as the Work Administrator may designate.

6 SEC. 404. (a) The War Production Board and other
7 agencies having data on production changes and employ-
8 ment opportunities shall furnish the Work Administrator
9 full information on current and projected schedules of military
10 and civilian production in such detail as the Work Adminis-
11 trator shall deem necessary.

12 (b) The Director of Selective Service, with the assist-
13 ance of the War and Navy Departments, shall furnish data
14 on current and projected rates of discharge of servicemen
15 providing such details concerning the servicemen as the
16 Work Administrator may deem necessary and is practicable
17 for the Selective Service and the War and Navy Depart-
18 ments to furnish. It shall be the duty of the War and Navy
19 Departments to anticipate so far as practicable, the forward
20 programs of demobilization of servicemen, and to cooperate
21 with the Director of the Selective Service System and the
22 Work Administrator in furnishing full data on such de-
23 mobilization.

24 SEC. 405. The Work Administrator may perform the
25 functions and exercise the powers, authority, and discretion

1 conferred on him by this Act through such officials and such
2 agencies and in such manner as the Work Administrator,
3 subject to the provisions of this Act, may determine. In
4 carrying out the purposes of this Act, the Administration
5 may utilize the services of any other Government agency.

6 SEC. 406. In order to facilitate the recruitment, train-
7 ing, transfer, and placement of workers and ex-servicemen,
8 the Work Administrator is hereby authorized to pay the
9 cost of transportation of workers and ex-servicemen, in-
10 cluding transportation of dependents and household effects,
11 from their last previous residence to new jobs, in accordance
12 with such regulations as may be prescribed by the Work
13 Administrator: *Provided*, That such transportation allow-
14 ances shall not exceed the allowances provided for Govern-
15 ment employees in the Standard Government Traveling
16 Regulations, as approved by the President.

17 SEC. 407. (a) In order to give effect to the objectives
18 of this title the Work Administrator is authorized to provide
19 to any person vocational free education or training, of not
20 more than six months of full-time study or its equivalent in
21 part-time study.

22 (b) Every person, while he is receiving vocational edu-
23 cation or training on a full-time basis, shall be entitled to
24 receive a maintenance allowance at the rate of \$50 a month
25 if he has no dependent, \$75 if he has one dependent, and

1 \$100 if he has two or more dependents. The Work Admin-
2 istrator may provide for maintenance allowances, under such
3 conditions and in such amounts as may be prescribed by
4 regulations, to servicemen and civilian workers receiving
5 education or training on a part-time basis; but no such al-
6 lowance shall be paid to any person receiving training on
7 the job other than under an approved apprenticeship
8 program.

9 (c) The Work Administrator shall from time to time
10 make available information respecting the need for general
11 education and for trained personnel in the various trades,
12 crafts, and professions. He shall make educational and voca-
13 tional guidance generally available.

14 SEC. 408. Section 2 of the Mustering-Out Payment Act
15 of 1944 is amended to read as follows:

16 "SEC. 2. Mustering-out payment for persons eligible
17 under section 1 shall be made in equal monthly installments.
18 The first installment shall be paid at the time of final dis-
19 charge or ultimate relief from active service, and the remain-
20 ing installments shall be paid in successive months thereafter.
21 Each installment shall be at the rate of \$100 if the member
22 of the armed forces has no dependent, \$125 if he has one
23 dependent, and \$150 if he has two or more dependents. All
24 persons shall be entitled to two installments plus an addi-
25 tional installment for each year of active service or major

1 fraction thereof. Any person who has served outside the
2 continental limits of the United States or in Alaska shall be
3 entitled to a further additional installment."

4 SEC. 409. (a) Every unemployed person who qual-
5 ifies under the provisions of section 410 of this Act shall,
6 within one week after registration with a public employment
7 office designated by the Work Administrator, be entitled
8 to placement in a suitable job or shall be entitled to "in-
9 terim placement benefits" whose payment shall be admin-
10 istered in accordance with section 410. Such benefits shall
11 be at the rate of \$20 for each week of total unemployment
12 if such person has no dependent, \$25 if he has one depend-
13 ent, \$30 if he has two dependents, or \$35 if he has three or
14 more dependents: *Provided*, That in the case of a person
15 other than an ex-serviceman, the maximum benefit paid shall
16 not exceed 80 per centum of his regular weekly earnings,
17 as defined by the Work Administrator: *Provided further*,
18 That any qualified person shall be entitled to reduced bene-
19 fits for periods of partial unemployment in such amounts
20 as the Work Administrator shall prescribe on the basis of
21 the approximate proportion borne by such person's partial
22 unemployment to total unemployment: *And provided fur-*
23 *ther*, That no benefits for partial unemployment shall be
24 paid in excess of an amount which when added to the per-
25 son's earnings during the period of partial unemployment

1 for which paid benefits on account of partial unemployment
2 shall exceed eight-fifths of the benefits he would receive for
3 total unemployment for such period.

4 (b) No payment for "interim placement benefits" shall
5 be made under this title to any person for any period unless
6 (1) he registers with and continues to report to a public
7 employment office, or other agency designated in regula-
8 tions of the Work Administrator, and (2) he is available
9 for suitable work: *Provided, however,* That the conditions
10 contained in (1) and (2) of this subsection shall not be
11 applicable during periods of illness or disability.

12 (c) The Work Administrator shall by regulation pre-
13 scribe disqualifications, in such cases and under such condi-
14 tions as he finds will promote the purposes of this Act, for
15 leaving suitable work voluntarily and without good cause, for
16 failure to apply for suitable work, and for failure to accept
17 suitable work when offered. No such disqualification shall
18 be for a period of more than five weeks.

19 (d) No work shall be deemed suitable for the purposes
20 of this section, and benefits shall not be denied under this
21 Act to any otherwise qualified employee for refusing to
22 accept work if—

23 (1) the position offered is vacant due directly to
24 a strike, lock-out, or other labor dispute;

25 (2) the remuneration, hours, or other conditions of

1 work offered are substantially less favorable to the em-
2 ployee than those prevailing for similar work in the
3 locality, or the rate of remuneration is less than the
4 union wage rate, if any, for similar work in the locality;

5 (3) as a condition of being employed he would be
6 required to join a company union or to resign from or
7 refrain from joining any bona fide labor organization;

8 (4) acceptance of the work would require him to
9 engage in activities in violation of law or which, by
10 reason of their being in violation of reasonable require-
11 ments of the constitution, bylaws, or similar regulations
12 of a bona fide labor organization of which he is a mem-
13 ber, would subject him to expulsion from such labor
14 organization; or

15 (5) acceptance of the work would subject him to
16 loss of substantial seniority rights under any collective-
17 bargaining agreement between a bona fide labor organ-
18 ization and any other employer.

19 (e) In determining whether or not any work is suitable
20 for an employee for the purposes of this Act, the Work
21 Administrator shall consider, in addition to such other factors
22 as he deems relevant, (1) the current practice, recognized
23 by management and labor with respect to such work; (2)
24 the degree of risk involved to such employee's health, safety,
25 and morals; (3) his physical fitness and prior training; (4)

1 his experience and prior earnings; (5) his length of unem-
2 ployment and prospects for securing work in his customary
3 occupation; and (6) the distance of the available work
4 from his residence and from his most recent work.

5 (f) For the purposes of this Act, no voluntary leaving
6 of work shall be deemed to have been without good cause if
7 the Work Administrator finds that such work would not
8 have been suitable for the purposes of this section of this
9 Act.

10 (g) No payment shall be made under this section to
11 any person for any period for which he receives vocational
12 education or training allowance under this title.

13 (h) Any officer or agency of an employer, or any
14 employee representative, or any employee acting in his own
15 behalf, or any person whether or not of the character herein-
16 before defined, who shall willfully fail or refuse to make any
17 report or furnish any information required by the Work Ad-
18 ministrator in the administration of this title, or who shall
19 knowingly make or aid in making or cause to be made any
20 false or fraudulent statement or report when a statement or
21 report is required to be made for the purposes of this title, or
22 who shall knowingly make or aid in making or cause to be
23 made any false or fraudulent statement or claim for the pur-
24 pose of causing benefits or other payment to be made or not
25 to be made under this title, shall be punished by a fine of not

1 more than \$10,000 or by imprisonment not exceeding one
2 year, or both.

3 (i) Any person who violates any provision of this
4 title, the punishment for which is not otherwise provided,
5 shall be punished for each such violation by a fine of not
6 more than \$1,000 or by imprisonment not exceeding one
7 year, or both.

8 SEC. 410. (a) The following shall be eligible for the
9 "interim placement benefits" prescribed in section 409:

10 (1) Any ex-serviceman.

11 (2) Any person who within twelve months prior to
12 his first application for such benefits was employed—

13 (i) ninety days in a Federal agency;

14 (ii) ninety days as an officer or member of the
15 crew of a vessel on the navigable waters of the United
16 States, or

17 (iii) one hundred and eighty days in agricultural
18 labor.

19 (3) Any person who at the time of the first applica-
20 tion is a "qualified employee" as defined in section 3 of the
21 Railroad Unemployment Insurance Act, as amended.

22 (4) Any person who at the time of first application
23 for benefit would be eligible for unemployment compensa-
24 tion by virtue of his or her earnings under the laws of a
25 State, in "covered employment", if all other qualifications

1 were waived: *Provided, however,* That such State has ar-
2 ranged with the Work Administrator to pay and administer
3 the "interim placement benefits" prescribed in this title,
4 either by contract, or through the provisions of State law
5 or through such provision as the State or State unemploy-
6 ment compensation agency, may make effective as agent of
7 the Federal Government. For purposes of this subsection
8 "covered employment" shall include employment subject
9 to the unemployment compensation law of such State, and,
10 upon election by such State to administer, any or all of the
11 following classes of employment:

- 12 (i) in establishments of less than eight persons not
13 covered by a State unemployment compensation law,
14 (ii) in State and local governmental agencies,
15 (iii) in nonprofit organizations, and
16 (iv) in domestic work.

17 (5) Any person, in a State which has failed within six
18 months after the enactment of this Act to make an arrange-
19 ment in accordance with the preceding subsection, with
20 the Work Administrator, and who within twelve months
21 prior to his first application for such benefits had earned not
22 less than \$150 in employment covered by title II of the
23 Social Security Act (providing old-age and survivors in-
24 surance benefits) : *Provided,* That such person's benefits shall
25 be subject to the reduction, in accordance with the regula-

1 tions of the Work Administrator, on account of any unem-
2 ployment compensation paid him or payable to him by a
3 State agency for the same period of unemployment.

4 (b) Payments of "interim placement benefits" to persons
5 in categories (1), (2), and (5) shall be made through such
6 agencies as the Work Administrator shall designate, includ-
7 ing any Federal agency and any State or State unemploy-
8 ment compensation agency, which has arranged to admin-
9 ister benefits to persons in category (4); payments to
10 persons in category (3) shall be made through the Railroad
11 Retirement Board; and payments to persons in category (4)
12 shall be made through the respective States which have
13 arranged with the Work Administrator to make such pay-
14 ments pursuant to section 410 (a).

15 (c) The Work Administrator shall from time to time
16 certify to the Secretary of the Treasury for payment to such
17 States or State unemployment compensation agencies as
18 administer the payment of benefits under this title pursuant
19 to this section, with respect to such periods as the payment
20 of such benefits is so administered, advances, grants, or
21 reimbursements, equal to all disbursements of benefits pur-
22 suant to this title, minus 50 per centum of the amount of
23 unemployment benefits that would have been payable had
24 this title not been enacted as determined under the unemploy-

1 ment compensation law of such State as of the date of the
2 enactment of this Act.

3 The Railroad Retirement Board shall from time to time
4 certify to the Secretary of the Treasury for payment to the
5 railroad unemployment insurance accounts in the unemploy-
6 ment trust fund the amounts by which payments by it under
7 this section exceed 50 per centum of the amounts which
8 would have been payable under the provisions of the Rail-
9 road Unemployment Insurance Act in effect at the time that
10 this Act was approved.

11 The Work Administrator shall certify from time to
12 time for payment to a State or State unemployment com-
13 pensation agency, or for credit to the Railroad Unemploy-
14 ment Insurance Administration fund such amounts as he
15 determines (i) are equal to administrative expenses thereto-
16 fore reasonably incurred by such State or the Railroad
17 Retirement Board in the administration of any of the pro-
18 visions of this title by arrangement with the Work Adminis-
19 trator, and (ii) have not been included in the basis of any
20 previous certification under this paragraph.

21 All persons otherwise eligible in accordance with this
22 title for "interim placement benefits" shall be eligible during
23 the period beginning thirty days after the day of enactment
24 of this Act until twenty-four months after the cessation of

1 hostilities: *Provided*, That such benefits shall be available
 2 to a serviceman discharged from or relieved from service
 3 after the termination of hostilities for a period of twenty-four
 4 months following his discharge.

5 TITLE V—SETTLEMENT OF TERMINATED WAR
 6 CONTRACTS

7 On page 37 strike out “Objectives of Act” as now on
 8 line 10.

9 On page 37, line 11, to page 87, line 9, strike out and
 10 substitute as follows: for Act, substitute Title; for Director,
 11 substitute Administrator; for Office of Contract Settlement,
 12 substitute Contract Settlement Administration; for Director
 13 of Contract Settlement, substitute Administrator of the Con-
 14 tract Settlement Administration; renumber sections 1 to 25
 15 as sections 501 to 525.

16 Page 87, after line 9, insert:

17 TITLE VI—MISCELLANEOUS

18 SEC. 601. As used in this Act—

19 (a) “Government agency” means any executive depart-
 20 ment, independent establishment, agency, commission, board,
 21 bureau, division, administration, office, service, independent
 22 regulatory commission or board, and any Government-owned
 23 or Government-controlled corporation.

24 (b) “Surplus war property” and “surplus property”
 25 mean any property, real or personal, including but not limited

1 to plants, facilities, equipment, machines, accessories, parts,
2 assemblies, products, commodities, materials, and supplies in
3 the possession of or controlled by any Government agency,
4 whether new or used, in use or in storage, which are in excess
5 of the needs of such agency or are not required for the per-
6 formance of the duties and functions of such agency and
7 which are determined, subject to the authority of the Office
8 of War Mobilization, to be surplus by such agency.

9 (c) "Disposal agency" means any Government agency
10 which has been assigned the operating function of disposing
11 of surplus war property by the Administration.

12 (d) "Tax-supported institution" means any scientific,
13 literary, educational, public health, or public welfare institu-
14 tion which is supported in whole or in part through the
15 use of funds derived from taxation by the United States,
16 the District of Columbia, or any State or any political sub-
17 division thereof, any Territory or possession of the United
18 States, or any political subdivision of any such Territory or
19 possession.

20 (e) "Disposal" means sale, conditional sale, or lease,
21 for cash, credit, or other property; donation; or any other
22 transfer.

23 (f) "Ex-servicemen" shall include all persons who
24 served in active duty in the military or naval forces of the

1 United States on or after September 16, 1940, and has been
2 relieved or discharged from such active duty on conditions
3 other than dishonorable.

4 (g) The term "State" shall include the several States,
5 the District of Columbia, and the Territories of Hawaii and
6 Alaska.

7 SEC. 602. There are authorized to be appropriated
8 such sums as may be necessary or appropriate to carry out
9 the purposes and provisions of this Act.

10 SEC. 603. The provisions of this Act shall become effec-
11 tive immediately, unless otherwise provided in the Act, and
12 unless otherwise provided shall be terminated twenty-four
13 months after the cessation of hostilities.

14 Page 87, line 11, renumber section 26 to become sec-
15 tion 604.

16 Page 87, strike out lines 17 and 18, substitute the fol-
17 lowing:

18 "SEC. 605. This Act may be cited as the 'War Mobiliza-
19 tion Adjustment Act of 1944'."

Amend the title so as to read: "A bill to establish an
Office of War Mobilization and Adjustment and to provide
for the development and execution of war mobilization and
post-war adjustment programs."

78TH CONGRESS
2d Session

S. 1718

AMENDMENTS

Proposed by Mr. KILGORE to the bill (S. 1718)
to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

MAY 3 (legislative day, April 12), 1944
Ordered to be printed

Most of the men not on watch were sprawled around topside trying to relax and cool off in the little breeze the ship's movement made. A few of us were standing by the rail gazing into space and thinking our own thoughts when someone called attention to some objects in the water. We began to watch them.

There were three of them, a hundred yards or more apart, and as we came closer we could see that they were men and that they were dead. They were bobbing up and down in the water with their arms stretched out ridiculously straight and stiff. We could see a V of white undershirt at their neck and the ripples breaking over the toes of their brogans.

The order came down from the bridge to lower away the boat, go to them, determine their identity and, if they were ours, to bring them back to the ship.

They were so horribly bloated and discolored that even their race was indeterminate but the uniform was that of our own men. When we tried to take hold of their arms and legs and lift them up and over into the boat, the skin would slip away in our hands. One of our boys was sick from the odor.

As we got each one in the boat we'd empty his pockets and search for identification. One was named Thomas. He had a canteen on his belt and a map in his pocket, both with that name on it—John Thomas. Wilson, H. W., had an identification tag around his neck. He also had a billfold with a picture of a girl, some foreign coins, a wrist watch, and a bottle opener. The third had a knife and some coins in his pocket, but there was no name. If he ever had an identification tag around his neck, it would have been gone. He had no head or neck. He was, and would continue to be, an unknown—a nobody at all. We put them, one on the other, in the bottom of the boat, covered them with a canvas and started back. It was a long ride back.

Perhaps I should have felt more emotions than I did riding back with them in that boat—a fierce anger at the thing which allows nations and peoples to do this to each other; an urgent personal desire for retaliation; bitterness because they had given their all and reaped this, while some of their more cunning but less conscientious brethren at home were giving nothing and reaping all; horror because of the added indignities they had suffered even after death; sorrow for their parents, for their girls, and for the many people who must grieve and forget as best they can. If I did feel any one of these, I put it aside as being relatively unimportant. These were brave men and they were dead. Bravery and death were linked together in a natural and inevitable sequence. It seemed as simple as that.

We brought them aboard and began preparing them for a proper burial at sea. The men were crowded around in close, curious bunches. They were quiet for once and there was a queer, hard look on their faces.

Each was wrapped in a heavy canvas—it was green, I remember—and weighted with heavy shells from our big guns so that they would stay decently buried. Then the captain came down from the bridge and the ceremony began.

What would you have said, Thomas or Wilson, or nobody at all, had you the words? What reason for being here? What regrets? I think I know. I think the words were said for us long ago in a language simpler than you or I could choose. I will say them for you.

"Here dead lie we because we did not choose To live and shame the land from which sprung.

Life, to be sure, is nothing much to loose;
But young men think it is, and we were young."

A simple reason. A single profound regret. That's right, isn't it?

I heard the last words of the ritual * * *
"we therefore commit these bodies to the deep, to be turned into corruption, looking for the resurrection of the body, when the sea shall give up her dead." * * *

The stretchers tilted. The flags fell away. There were three dull splashes in the water. So we bade them a long farewell.

Mr. President, that concludes the descriptive article which was sent by this young doctor to his sister.

Now, I shall read the personal letter which he wrote to his sister, and again I read word for word, even at the risk, Mr. President, of giving offense to some of my colleagues in the Senate, but I am sure no offense will be taken by any Member of this body when it is realized that the words this young man wrote to his sister came from one who had observed first hand some of the terrible tragedies of war, and who has thought long and deeply of things about which he has written so freely and frankly and, may I add, eloquently and movingly. This is what the young man wrote to his sister:

I am enclosing my version of an incident which occurred some time ago. It is my personal reaction to the few hours during which the incident took place, the kind of grief I felt, the emotions I did not feel. I do not intend for it to give the idea that I have not felt such things but rather that when the chips are down they do become unimportant.

Still, to those of us who were not so unfortunate as Thomas or Wilson, those same emotions I could not feel at the time later take on an added significance, too often a bitter significance, because so many of the things we hear from home make all this seem so hopelessly fruitless, so terribly futile.

I wish there were words adequate enough to explain how deeply most of us feel about being out here; how much it means to us to win completely and unequivocally so that our sons and our son's sons, and those of our enemy as well, need not know this again; how much it hurts to be forced to the realization that so many of our hopes are empty.

I wish there were words adequate enough to explain the bitterness, the scorn, the unrest, and the lack of faith most of us have for so many things at home: For the ineffective, fumbling legislature; for all the political devices and stratagems which are so obviously for the gain and glory of a few politicians though clothed in the sanctity of the words, "for the men in the service"; how bitterly we resent the strikes (there is only one question we can ask in regard to them, How would it be with the folks at home if we did what they are doing; how would it be with them if we let them down as they are letting us down? Sure, we know we're getting nearly all the supplies we need now, that things are going along better, but how can we be 100 percent for something that they're only 75 percent behind at home?); how we must feel about the stupid racial prejudices that are fostered and festered by some of our great democratic Senators while many of the same races they so denounce are out here risking their necks to give those same Senators the right to go on fostering their hatred. (A typical item in this morning's paper: "Senator —, addressing the State legislature Wednesday, urged the South to uphold racial integrity and renew our faith and allegiance to the color line." What a sordid story lies behind that. What a travesty of the word "democracy"!); how we feel to have even our right to vote fashioned into a political football (Is this merely a tragicomedy we're taking part in? It would seem so. As a point of interest, I've never seen a MacArthur button, a Willkie button, a

Roosevelt button, or any other button or political device of any kind. They seem to be worried about that); how much we scorn the little crumbs that are thrown our way, such as the \$300 mustering-out pay and all such meaningless tommyrot.

The thing that is important to us is to first win the war and then to set about rehabilitating not only ourselves but the people in India and China and Japan and Germany so that we can live together and call each other friends. It seems to me that that is what we set out to do and even though few of us ever expected to attain that much, it is bitter knowledge indeed to see how infinitely little we are likely to attain at all.

The plain and simple truth is, I'm afraid that we as a people have not yet grown big enough, tolerant enough, wise enough, nor just enough to manage our own affairs with honor and justice, let alone those of the world. We are still trying to delude ourselves with the idea that we are a democracy instead of accepting the truth that we are not and planning ways and means of becoming one some day.

Still, had Thomas or Wilson or I or any of us the same choice to make again, knowing all this, we would not change our decision. We may be denied and shamed by the things which happen at home but we cannot shame ourselves by denying the things we personally believe in.

There the article in Time stops. I read the rest of the letter:

All of which makes me a hell of an idealist and perhaps a damn fool—but that's how it is. Next time I'll be more cheerful. Once in awhile I have to unload on someone and this time you're stuck.

Should get in port tomorrow. Hope there will be lots of mail. Will write again later.

Then he adds this postscript:

P. S.—I think I should add, in fairness, that we know that a great many good things are being done, or are being attempted, for us, that many of the things we think are foolish are well meant, that the majority of the people want the same things we want just as badly as we want them. But even that knowledge doesn't help much sometimes.

SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS

The Senate resumed the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. TUNNELL obtained the floor.

Mr. KILGORE. Mr. President, will the Senator from Delaware yield to me?

Mr. TUNNELL. I yield.

Mr. KILGORE. With reference to Senate bill 1718, let me say that I understand an effort to dispose of the bill possibly may be made today. At this time I desire to move the postponement of consideration of the bill, and that it be set down for consideration on a day certain, namely, next Wednesday, so as to afford opportunity to study the bill and the amendments. In support of my motion, I should like to have my remarks extended by having printed in the Record a letter which I know every Member of the Senate has received. The letter was issued jointly by the American Federation of Labor, the Congress of Industrial Organizations, and the Railway Labor Executives Association.

I ask unanimous consent that the letter may be printed in the Record at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WASHINGTON, D. C., May 1, 1944.

Hon. HARRY TRUMAN,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: The American Federation of Labor, the Congress of Industrial Organizations, and the Railway Labor Executives Association join together to state clearly and unmistakably their position on the reconversion and contract-termination bills before you. The organizations we represent—12,000,000 active members and 3,000,000 members in the armed services—are unalterably opposed to the passage of any piecemeal legislation to handle the problems of reconversion, with priority given to property legislation. Every consideration of equity and sound economics demands a single integrated piece of legislation which will take care of the human problems of demobilization at the same time that it provides for the security of business enterprise.

We especially regret the voting out at this time by the Senate Military Affairs Committee of the Murray-George contract-termination bill (S. 1718), divorced from legislation dealing with the human side of demobilization, and without any adequate hearings on so serious a problem. Emergency unemployment compensation for demobilized workers and servicemen in the reconversion period is an indispensable part of any over-all legislation and should not be sidetracked to another committee for separate consideration. There is great danger that contract-termination legislation will be passed and the Congress adjourn before any comprehensive legislation is considered to deal adequately with the more pressing human and organizational problems of reconversion. You will agree that every contract terminated means the discharge of workers. Certainly, provision for these workers whose resources must be conserved and fully utilized is at least as important as settling the financial claims of war contractors. We regard this as one of the major legislative issues before the Seventy-eighth Congress.

We wish to stress again, as we have pointed out in our public testimony, that the preponderance of war contractors are in a sufficiently strong position to weather the period of reconversion to peacetime production. The reserves of American industry have never been as high as they are today. American workers, on the contrary, enjoy no such favorable position. When contracts are terminated, the soldiers of production face bleak prospects.

These are essential truths. They become more forcible every day as war-production employment tapers off. The confidence and the full-spirited effort of American workers in military service and in war industries will suffer a severe blow in the midst of war if they feel that their legislators put money settlements of war contracts above and beyond the claims of human beings.

We are united in urging the following programs:

1. There must be no piecemeal legislation such as contract-termination legislation alone. An integrated program of reconversion offers the only means of preventing the chaos that may overwhelm us on the production front in a short time.

2. We stand fully behind the principles of the Kilgore bill, Senate bill 1823, which provides an integrated attack on the problems of reconversion. We urge that the Murray-George bill, S. 1718, be amended to include the Kilgore bill, S. 1823, thus providing a well-rounded program.

3. Such a program must include, in line with War Mobilization Director Byrnes' proposal, special unemployment compensation benefits in the transition period to take care of unemployed workers as well as discharged servicemen.

4. An orderly program for reconversion to civilian production is necessary to achieve maximum production and employment during the reconversion period. Establish an office of war mobilization and adjustment to coordinate all Federal activities during the reconversion period.

5. We favor creation of a national production-employment board, consisting of representatives of industry, labor, agriculture, and the general public, to form an integral part of the office of war mobilization and adjustment.

6. Establish a bureau of programs to review and develop Government programs dealing with reconversion and production, and to encourage the development of private and local programs for increased production and unemployment.

7. Provide adequate protection for, and incentives to, small business in reconverting to peace.

We believe these to be the minimum essentials of a full program which labor can support. Any piecemeal attack on these problems, any effort to put one part of the program ahead of another, will fall far short of what is needed. It will be a severe blow to our economy. It will bring untold hardships to millions of Americans working in war industries and fighting to bring the war to a speedy victory.

Sincerely yours,

WILLIAM GREEN,
President, American Federation of Labor.
PHILIP MURRAY,
President, Congress of Industrial Organizations.
JULIUS LUHRSEN,
Executive Secretary, Railway Labor Executives Association.

Mr. KILGORE. Mr. President, my purpose in moving for postponement until next Wednesday of consideration of the pending bill is in order to provide an opportunity to study the bill and to be sure that the necessary and requisite amendments to it are made.

Mr. GEORGE. Madam President—The PRESIDING OFFICER (Mrs. CARAWAY in the chair). The Senator from Delaware [Mr. TUNNELL] has the floor.

Mr. GEORGE. Is the Chair entertaining the motion?

The PRESIDING OFFICER. The motion is in order, under rule 22.

Mr. GEORGE. I suggest the absence of a quorum.

Mr. TUNNELL. Madam President, I refuse to yield for that purpose at this time.

The PRESIDING OFFICER. The Senator from Delaware declines to yield.

ONE HUNDRED AND FIFTY-THIRD ANNIVERSARY OF POLISH CONSTITUTION

Mr. TUNNELL. Madam President, the discussion which has taken place today with reference to Poland is a matter of a considerable importance, and one which is of interest, not only to Poland, but to the entire world. Recently, I received from the Polish National Alliance, of Wilmington, Del., a letter which is clothed in such language that I think it should be read at this time. It reads as follows:

POLISH NATIONAL ALLIANCE,
GROUP No. 431,
Wilmington, Del., April 27, 1944.
The Honorable JAMES M. TUNNELL,
The United States Senate,
Washington, D. C.

DEAR SIR: In 1939, Poland fell because she valued liberty and honor more than life under foreign rule.

In 1791 Poland was partitioned because she would not surrender to the dictates of the three absolute powers, but in opposition to them, by the constitution of the 3d of May, accepted the principles which guaranteed freedom and individual rights to all her citizens. Poland was also the first country in Europe to fight in the present war and to arouse the democratic world from its appeasement stupor. The Poles, always ready to support the democratic cause, were again the first to stand against the enemy of freedom. Again, they followed their motto: "For your freedom and for ours."

In these critical times, when not only Poland but the whole world is fighting against the dark forces of oppression and totalitarianism, it is fitting that the date of the 3d of May be commemorated by us in the United States. It is our duty as Americans to remember an ally who, though faced with insurmountable obstacles, would rather die than surrender. The constitution of the 3d of May is another monument that testifies to the democratic spirit of Poland.

Very truly yours,

TEOFIL WISNIEWSKI, President.
W. MADEY, Secretary.

Madam President, I was interested in the statement made by the Senator from Michigan. What he said is absolutely true. It is not enough for us to deliver orations one day in the year for the benefit of Poland. However, I do not think that is all we are doing. I think the fight is one for democratic principles. In the Atlantic Charter, I notice the following provision:

3. They respect the right of all peoples to choose the form of government under which they will live, and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them.

So, Madam President, the fight for democracy which is being waged throughout the world on the part of America, as well as on the part of the other United Nations, is a fight for Poland, and it is something in addition to orations. The 11,000,000 men and women who at this time are in the armed forces of the United States and their efforts are in addition to orations. The tremendous effort which is being made in America, by which our Navy has been increased from an insignificant one to the greatest Navy the world ever saw, is something in addition to orations. The fight which is being conducted on the various battlefields of the world is not a matter of orations. The 10,000 airplanes we are building each month are not orations, they are an effort to aid in the cause of democracy. All those things show, so it appears to many of us, an effort on the part of those who are interested in democracy, whether that democracy exists in Poland or in the United States of America, and all those efforts are aiding in the fight in which we are engaged, which is referred to as a fight for democracy.

If democracy is successful, Poland will receive her rights; she will be granted her right to govern herself. If democracy is not successful, neither the people of the United States nor the people of Poland will be permitted to govern themselves.

So there is in the world today, on this one hundred and fifty-third anniversary of the adoption of the Polish Constitution, the greatest effort which has been made at any period in the world's history to sustain the principles for which those

with him in the diet to go to the Church of Saint John and repeat it before the altar. A procession formed, consisting of all the senators, all the bishops, most of the deputies, and a tumult of people, and marched with renewed vigor to the palace church. There the elite of the country pledged their lives and honor to uphold the constitution. When the organ sounded the Te Deum, many must have secretly breathed a prayer of thanksgiving to God in gratitude for His continuous providence over the destinies of the country. After the ceremony, a volley of 200 cannons was set off to confirm to the city and the nearby country the completion of the long-sought event.

That evening Warsaw was a city of joy. The rejoicing was spontaneous and buoyant, yet it never went beyond the point of good order, even though it did continue throughout the night. There was much reason for joy. One of the great revolutions of mankind was accomplished without the sacrifice of a drop of blood! It is no wonder, then, that Edmund Burke, that eminent British orator, could call it probably the most pure and defecated public good which ever has been conferred on mankind. This was the 3d of May 1791, a spring day or, better, a harbinger of a second spring for Poland.

An analysis of the articles of the new constitution reveals how thorough it was and how revolutionary. The Catholic religion was reaffirmed to be the religion of the state, but toleration was granted to all other beliefs. The crown was made hereditary in the Saxon line. The government was organized into three parts: Executive (consisting of the King and his council), legislative (composed of the chamber of senators and the chamber of deputies), and judicial. City and town dwellers (burghers) were given rights and allowed to send representatives to the diet. Trade restrictions between the nobleman and the burgher were removed and the middle class was encouraged. Those antiquated privileges, the liberum veto and the right of confederation were abolished. Most revolutionary, perhaps, for those times, was the article which placed the peasant directly under the protection of the government and its law. Henceforth, if any contract was made between the noble and the peasant, both parties were subject to its terms. The millennium of political order and national brotherhood was slowly becoming a reality in Poland.

But the new portentous spring was not allowed to mature into a second summer. It was the age of despots, but what made it worse was that their dominions surrounded Poland. Under these circumstances, what chance had even a 3d of May? The constitution had barely been signed when plans were drawn up for a second partition. Frederick William II, the traitor who had just recently signed a treaty with Poland, and Catherine the Great, the amoral Empress of Russia, could not bear to see the rejuvenation of a country which they had proclaimed to the world to be dead. This time they would make sure that there would be no Poland—forever. And, indeed, when the Russian and Prussian Armies marched into Poland, and the second and third partitions occurred, to many this seemed an accomplished fact.

The falt accompli, however, never achieved the effect which the conquerors expected. How could it? The 3d of May was too great for them. The 3d of May was Poland's answer for all time that she was still very much alive. Years—nay, centuries—later the downtrodden nation could honestly sing in its national anthem, "Jeszcze Polska nle zginela"—"Poland is not yet lost while we are alive." It could always turn to the 3d of May for inspiration in the fight to attain and retain freedom.

This is the story of the constitution of May 3, 1791. These are the facts. Placed in

its historical context, it stands as a truly great revolution, and one of the first in eastern Europe. To Divine Providence, to which all things are near and nothing is hidden, must be given the chief gratitude for that day. How wisely It preordained that the constitution should appear at that point of time when it would do the nation the most good. The members of the Great Diet must have been very conscious of this themselves, since one of their first moves after signing the constitution was to order that a special church be built to Divine Providence for His care over the nation. It is to the same Divine Providence that Poland turns again today, praying that, just as He had given it the 3d of May, so now He may give it freedom.

THE SEDITION TRIAL IN WASHINGTON, D. C.

Mr. McCARRAN. Mr. President, about 2 days ago there was transmitted to the chairman of the Committee on the Judiciary of the Senate an instrument entitled "Petition for Redress of Grievances." It was addressed to the chairman of both the Senate and House Judiciary Committees. The matter had to do entirely with a case now in course of trial in the District of Columbia, a case in which we learn from the press, an attempt is being made to empanel a jury. It is generally termed in the press "the Sedition case."

Not desiring or deeming it best to deal with the matter individually, but having my own personal views as to the jurisdiction of my committee, or any committee of the Congress, I transmitted the matter to a subcommittee, with the letter which I send to the desk and ask to have read.

The PRESIDING OFFICER. Without objection, the clerk will read.

The Chief Clerk read as follows:

May 2, 1944.

Hon. CARL A. HATCH,
United States Senate.

DEAR SENATOR HATCH: The enclosed instrument, entitled "Petition for Redress of Grievances" came to me in the regular course of the mails today.

The question of jurisdiction or lack of jurisdiction by the Judiciary Committee of the Senate naturally arrests my attention. Moreover, the propriety of any consideration of this matter by the Judiciary Committee concerns me. I feel that the chairman should not act alone on this matter, whatever might be his first impulse in the premises.

I have therefore appointed the following subcommittee to inquire into this matter and report to the full committee as soon as possible: Messrs. HATCH, chairman, EASTLAND, DANAHER.

I have but one copy of the instrument, which is attached hereto. I have transmitted copies of this letter to Senator EASTLAND and Senator DANAHER and I hope you may be able to advise the committee at an early date.

Very respectfully,

PAT McCARRAN.

Mr. McCARRAN. Following that, Mr. President, today the subcommittee appointed by the chairman of the Committee on the Judiciary reported to the chairman, and I desire to have the report read, because I think it will enlighten the Senate. It is encompassed in only a few pages, and covers the subject exactly.

The PRESIDING OFFICER. Without objection, the clerk will read.

The Chief Clerk read, as follows:

UNITED STATES SENATE,
May 3, 1944.

Hon. PAT McCARRAN,
Chairman, Committee on the Judiciary,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: Deeming the matter submitted to us in your letter of yesterday one which requires prompt action, your subcommittee has met and considered the instrument entitled "Petition for Redress of Grievances," purporting to have been submitted to you by one Albert W. Dilling.

This petition relates to Criminal Case No. 73086, now pending before Chief Justice Edward C. Eicher in the District Court of the United States for the District of Columbia. The petition urges "immediately, an official investigation of the conduct of said trial thus far" and that the committee "also immediately designate official representatives to sit in on all future proceedings in said cause, in order that said defendants may henceforth be assured of the fair and impartial trial which the Constitution and laws of the United States guarantee and which has thus far been denied to them."

As indicated in the petition, the trial referred to is known as the sedition trial. Apparently, it has been in progress for some time in the district court and is still in the process of determination. Under these circumstances your committee is unanimously of the opinion that neither the Senate Committee on the Judiciary nor the legislative branch of the Government itself has any present jurisdiction in this matter. It is scarcely necessary to state that the judicial branch of the Government is a separate and independent branch of government. The independence of the judiciary must be maintained. It is a fundamental rule of law of age-old standing that the courts must proceed in the trial and adjudication of cases without let or hindrance from any source, including other branches of the Government.

Your subcommittee is convinced the granting of the request contained in the petition would be an invasion of the powers and prerogatives of the judicial branch of government not contemplated nor warranted by the Constitution or any existing law.

The courts must be left free to function without interference from any source whatever. Freedom of the judicial branch of Government is one of the greatest safeguards and protectors of democratic institutions. Even the appeal to the legislative branch of Government to interfere in the progress of a trial smacks strongly of an attempt to intimidate or influence the court in the discharge of its proper and lawful functions, which cannot be tolerated. The courts, we repeat, must be left free to function in accordance with the established principles of law and justice. If, upon proper showing in the appropriate forum, those principles shall have been found to have been violated or denied the laws of the land provide ample and full opportunity for review and correction. The present trial should follow exactly the same steps and procedure which are followed in all cases. Any departure from established procedure would be injurious to the entire administration of justice.

Your subcommittee, therefore, recommends that the petition be denied.

Very truly yours,

CARL A. HATCH,
Chairman, Subcommittee.
JOHN A. DANAHER,
JAMES O. EASTLAND,
Members.

Mr. McCARRAN. Mr. President, I desire to say that I am in full and complete accord with the expressions set forth in the report made by the subcommittee. The members of the Judiciary Commit-

tee of the Senate do not look with favor, and the present chairman of the committee will never look with favor, on any attempt to bring before that committee or before the Congress matters which belong specifically to and are being dealt with in due course by the courts of the land. The judicial branch of the Government is one branch. The legislative branch is another. So far as the present chairman of the Committee on the Judiciary is concerned they should remain distinct and intact.

Mr. FERGUSON. Mr. President, will the Senator from Georgia yield to me?

Mr. GEORGE. I yield.

Mr. FERGUSON. As a member of the Committee on the Judiciary, I should like to state that I join in the sentiment and the language of the report made by the subcommittee. If the executive branch of our Government, as well as the legislative branch, will heed the mandate of the subcommittee, I am sure we will have a better administration of justice and will truly be able to say that we have equal justice under the law as administered by the courts, and not as administered by particular individuals.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 4278) to provide for the control and eradication of certain animal and plant pests and diseases, to facilitate cooperation with the States in fire control, to provide for the more efficient protection and management of the national forests, to facilitate the carrying out of agricultural conservation and related agricultural programs, to facilitate the operation of the Farm Credit Administration and the Rural Electrification Administration, to aid in the orderly marketing of agricultural commodities, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. FLANNAGAN, Mr. COOLEY, Mr. PACE, Mr. HOPE, and Mr. ANTON J. JOHNSON were appointed managers on the part of the House at the conference.

SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS

The Senate resumed the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. GEORGE. Mr. President, since a motion has been made to postpone consideration of Senate bill 1718, which yesterday afternoon was made the unfinished business before the Senate, and that motion has not been disposed of, I wish to say a few words on the motion, but before doing so I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Bankhead	Brewster
Austin	Barkley	Bridges
Bailey	Blibo	Brooks

Buck	Hawkes	Reynolds
Burton	Hayden	Robertson
Bushfield	Jackson	Russell
Byrd	Johnson, Colo.	Shipstead
Capper	Kilgore	Smith
Caraway	Langer	Stewart
Chavez	Lucas	Taft
Clark, Mo.	McCarran	Thomas, Idaho
Connally	McFarland	Thomas, Okla.
Cordon	McKellar	Tunnell
Danaher	Maloney	Tydings
Davis	Maybank	Vandenberg
Downey	Mead	Wagner
Eastland	Millikin	Walsh, Mass.
Ellender	Murdoch	Weeks
Ferguson	Murray	Wheeler
George	O'Mahoney	Wherry
Gerry	Overton	White
Gillette	Radcliffe	Wilson
Green	Reed	
Hatch	Revercomb	

Mr. BARKLEY. I announce that the Senator from Washington [Mr. BONE], the Senator from Virginia [Mr. GLASS], and the Senator from New Jersey [Mr. WALSH] are absent from the Senate because of illness.

The Senator from Utah [Mr. THOMAS] has been appointed by the President of the United States as a delegate to attend the International Labor Organization conference in Philadelphia, and is, therefore, necessarily absent.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are absent on official business for the Special Committee to Investigate the National Defense Program.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from Alabama [Mr. HILL], and the Senator from Arkansas [Mr. McCLELLAN] are detained on public business.

The Senator from Nevada [Mr. SCRUGHAM] is absent on official business. The Senator from Texas [Mr. O'DANIEL] is necessarily absent.

Mr. WHERRY. The Senator from Minnesota [Mr. BALL] and the Senator from New Hampshire [Mr. TOBEY] are absent because of illness.

The Senator from Oregon [Mr. HOLMAN], the Senator from Nebraska [Mr. BUTLER], the Senator from Oklahoma [Mr. MOORE], the Senator from North Dakota [Mr. NYE], and the Senator from Indiana [Mr. WILLIS] are necessarily absent.

The Senator from Wisconsin [Mr. WILEY] is absent on public business.

The PRESIDING OFFICER (Mr. McFARLAND in the chair). Seventy Senators have answered to their names. A quorum is present.

Mr. GEORGE. Mr. President, yesterday Senate bill 1718 was made the unfinished business and is now properly before the Senate. The bill deals primarily with the settlement of war contracts or claims arising from terminated war contracts.

The Senator from West Virginia [Mr. KILGORE] has made a motion to postpone consideration of the bill until one day next week. The Presiding Officer ruled that the motion is in order, and the motion is now before the Senate.

I sought in every possible way, as did the Senator from Montana [Mr. MURRAY], the author of the measure, in

which I have joined as coauthor, to work out an agreement for postponement of consideration of the bill; but we found it impossible to do so. The Senator from New York has already given notice, and agreement had virtually been reached all around, by the majority leader and by other Senators at interest on both sides of the aisle, to take up the anti-poll-tax bill on next Tuesday. The Senator from West Virginia has moved to postpone consideration of the pending bill until next Wednesday. I merely wish to say to the Senate that if consideration of the pending bill is postponed until next Wednesday, that will mean there will be no legislation on war-contract terminations prior to the recessing of the Senate and the House, assuming that there will be a recess, and probably not until the end of this year.

Unfortunately, the real controversy which has arisen about the bill is that it does not include a great many other things which, of course, should be dealt with by the Congress at the earliest possible moment, to wit, disposal of war plants, disposal of surplus property of all kinds, and the matter of demobilization. It has been insisted that those matters should be dealt with promptly.

The Senate Special Committee on Post-war Economic Policy and Planning has given a great deal of consideration to the other matters which some Senators are now insisting should be included in the pending bill. But we are not ready or prepared to report to the Senate a bill dealing with certain phases of the other important problems which remain for consideration, and which should be considered at once, on the basis of our definite and final recommendations.

However, two bills which are pending deal with the other related questions which it is insisted should be included in the pending bill. Those other bills, as I recall, are Senate bill 1730, which is pending before the Committee on Military Affairs, and Senate bill 1823, introduced by the Senator from West Virginia [Mr. KILGORE]. I understand that hearings on both those bills are now in progress; and certainly there is every purpose to prepare at the earliest possible moment, and to bring to the floor of the Senate, legislation dealing with the other questions.

Mr. MURRAY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MURRAY. I was about to make the observation that those two bills are pending before our subcommittee of the Senate Committee on Military Affairs, and that we are now conducting hearings and will continue to conduct hearings until those two bills are properly and fully considered. I also wish to say that during the past several weeks I have been in constant touch with representatives of labor, in an effort to work out a provision for unemployment compensation, to be inserted in the pending bill. But they were unable to prepare one. Both the chairman of the Senate Special Committee on Post-war Economic Policy and Planning, and I, as chairman of the War Contracts Subcommittee of the Committee on Military Affairs, were will-

ing to agree to such a provision, if one could be worked out. But we did not receive any until this morning. I received such a provision for the first time this morning. I think it deserves more study, and should not at this time be incorporated as a mere rider to the pending bill.

My committee is willing to continue diligently to conduct the hearings and make the study on the subject of unemployment compensation, because I think it is just as important as, if not more important than, the contract termination bill. I recognize, as I am sure the chairman of the Special Committee on Post-war Economic Policy and Planning of the Senate recognizes, that there is an absolute need for this legislation, and that we intend to give it our support when the time comes.

Mr. GEORGE. I am pleased to confirm what the Senator from Montana has said. Bringing forward this bill, dealing only with contract termination and settlement, is not to be taken at all as a statement or a position inconsistent with the further problems of reconversion—human, material, and financial—which must be dealt with and should be dealt with by the Congress at a very early date. However, because of jurisdictional questions in the House and because of the impossibility of getting a general over-all bill through at this time, we have separated the contract termination feature from the original bill, which was prepared by me in part, and by the special committee on Post-war Economic Policy and Planning, and introduced it in this body as a separate bill. It was likewise sent to the Committee on Military Affairs of the Senate, the Special Committee on Post-war Economic Policy and Planning not being a legislative committee.

Mr. President, if the motion to postpone the pending bill until next week should prevail, it would mean that it would be postponed until after the end of this session, assuming that we are to have a recess about the time of the conventions, or about July 1.

I will not take the responsibility of saying to the businessmen of this country and to the men who work in war plants and in organized industry, that their jobs may be imperiled by holding up legislation on the contract termination features of the bill. The other matters are proper to be considered. They are proper to be considered in connection with contract termination, if it were possible to make any progress by joining other matters with contract termination. However, they can just as well be considered piecemeal, and in the long run they certainly will be dealt with piecemeal, if they are effectively dealt with at all by this Congress, because so many controversial questions will arise with respect to the disposal of war plants and surplus property, severance pay, unemployment insurance, and other related questions which are of very great importance.

The reason for separating the legislation is solely in the interest of obtaining action upon a necessary part of our whole reconversion program, which is most pressing at the moment, and will be most

pressing, perhaps, during this year. Certainly there is no disposition to neglect legislation dealing with other matters, which can be offered as amendments to this bill. However, I express the hope now that the Senate will not approve them as amendments to the bill, because in my judgment that would mean loading down the bill, and the certain death of the bill, or at least long delay to the bill in the body at the other end of the Capitol, because of jurisdictional questions which have already arisen with respect to various phases of the problem of reconversion.

I, therefore, hope that, since this is the only opportunity we shall have to bring this bill to a speedy consideration, the motion will not prevail. If by agreement we could have had it set down for next Tuesday, if the Senator from New York, for example, had been willing to agree to that arrangement, both the Senator from Montana and the Senator from California would have agreed to the postponement of the bill. However, we found that we could not obtain such an agreement, and the only course left open to us which is consistent with what we think is the proper disposition of this matter, is to insist upon proceeding. I, therefore, most respectfully ask the Senate to reject the motion of the Senator from West Virginia.

Mr. GREEN. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. GREEN. I am seeking information. If the Senator from Georgia is correct in stating that postponement of action on the bill until next Wednesday would very likely result in its postponement until the end of the calendar year, I do not understand why the same thing would not be true if we were to postpone action on the related questions, which may not be considered until the end of the year, and perhaps not at all. If the Senator's statement is true of one category, why is it not true of the other?

Mr. GEORGE. Because the Senator knows very well that the poll-tax bill has the right-of-way next week. It will require many days. It might well mean postponement of action on this and related bills until after any recess which the Congress may take. I do not know when we are to have a recess, or how long it will be; but I do know that it would probably mean postponement.

This particular feature has been approved by the Special Committee on Post-war Economic Policy and Planning; by the regular standing committee, the Committee on Military Affairs; and by a special subcommittee of that committee which considered the bill. In addition, it has the approval of all the agencies of the Government. After long labor we have been able to present a bill—although certain amendments may be desirable—which meets the present necessity at this time, that is, of providing some method of quick disposal and settlement of all terminated war contracts.

Mr. GREEN. Do I correctly understand the Senator to take the position that he hopes that this bill will pass now, even if legislation on the related

questions is not reached until the end of the year, if at all?

Mr. GEORGE. No; I have taken no such position. We are now at work on the other bills, and they will be brought to the floor as soon as possible.

Mr. GREEN. Yes; but according to the Senator's own statement, is not that an indefinite future?

Mr. GEORGE. Yes; it is. However, the first step is the settlement of the canceled contracts. I am not-willing, by postponing consideration of the bill, to make possible the wholesale loss of jobs in this country because we did not deal with first things first. We have already dealt with other related questions. We have already made provision for all the veterans in the armed services, men and women. We have already taken care of that immediate situation so far as the Senate is concerned. That matter is held up in the House. The pending bill is a proposal merely to consider contract termination and settlement, which is a necessary first step. A large volume of contracts has been canceled.

Mr. GREEN. But would it not be unfortunate if this one element in the situation were disposed of and the other elements were not disposed of?

Mr. GEORGE. They will be disposed of as soon as they can be reached.

Mr. GREEN. Yes; but that is in the indefinite future.

Mr. GEORGE. It is indefinite, because those measures must pass this body and another body. There is a jurisdictional dispute in the House which we must respect. There are disputes among the standing committees of the House. I have the hope that they may be ironed out; but we can never make any progress unless we proceed with that feature of the reconversion program which can be dealt with now, and should be dealt with speedily so as to give the House an opportunity to get it out of the way. It does not stand in the way of the other problems which must have treatment, which are deserving of treatment, and which we are obliged to bring forward at the earliest possible moment. However, we find ourselves in the position where they cannot all be brought forward in one bill with any hope of success.

Mr. GREEN. I thank the Senator.

Mr. MURRAY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MURRAY. In connection with the discussion which is taking place, I should like to observe that I regard both these matters as being of such vital importance that they should be acted upon at the earliest possible opportunity. I do not believe Congress should adjourn until we dispose of the problem of unemployment compensation, as well as the problem of contract termination. It seems to me the problems could be handled very quickly if we should go to work on them, continue with the hearings, and get the contract termination provisions worked out. I think we could dispose of the matter very quickly.

Mr. GEORGE. I believe that what the Senator from Montana has said is true. I stand pledged to that course, and I am

sure the Senator from Montana stands pledged to it also. It is my judgment that we will make progress more rapidly in the solution of all the reconversion problems—not merely in regard to the cancellation of contracts—if we deal with the matter as we are now proposing to deal with it, rather than by joining it in a general over-all bill, which would certainly run into so many difficulties that we would have very little chance, I believe, of securing action on it in the other House until very late in the year.

Mr. KILGORE. Mr. President, will the Senator yield?

Mr. GEORGE. I yield the floor.

Mr. KILGORE. The Senator made the statement that one reason for haste in connection with this matter is that he thought there would be a wholesale wave of unemployment. Can the Senator point out to me any part of this bill that amounts to anything except provision for a cash payment on the settlement of a terminated contract, or which would in any way bind contractors to reconvert and work on something else in order to furnish employment?

Mr. GEORGE. The bill deals only with contract termination.

Mr. KILGORE. That is correct.

Mr. GEORGE. I have stated that frankly, and I have given reasons why it deals only with contract termination. I assert now that experience will demonstrate that if we fail to proceed as rapidly as we can with all the reconversion problems, we will assume a responsibility which at some time during the war period, or at the end of it, we will have to face.

Mr. KILGORE. Mr. President, I am heartily in agreement with the able Senator from Georgia as to the need for a speedy passage of measures affecting the terminating of contracts and taking care of the entire demobilization period. Complaint was made that nothing had been presented until this morning on the question, for example, of unemployment compensation for men made idle by termination. It is true that nothing was presented in printed form until this morning. It is also true that the bill in question, and which is in controversy, in its present form was not received by Members of the Senate until yesterday afternoon. My main reason for moving for a little time in which to study the bill is that during the little study which I was able to give it last night it was demonstrated to me that some very serious questions would arise as to the advisability of and possible need for amendment of the bill as it now stands, and I think it would be wise to take time to study the bill and ascertain if there are loopholes in it.

For example, under this bill any contract termination, if by agreement, is final, and there is no way of getting around it.

Secondly, one clause of the bill—I am referring particularly to the section with reference to Government agents in connection with contract terminations—relieves the agents from any liability even for gross negligence. Nothing but a charge of fraud can touch them. That

would be with reference to a final contract.

I may be in error, but I think we are opening up a set of double gates for another Forbes regime, and I think the Members of this body would like to have a little time in which to study in detail the language of the bill, and also consider my contention that it is not possible to terminate a contract taking care only of machinery without taking care of what runs the machinery.

Mr. BARKLEY. Mr. President, I shall add only a word, because of the peculiar situation which in part at least influences me in opposing the motion of the Senator from West Virginia.

We all know there are many persons who are interested in the proposed anti-poll-tax legislation, and we have been trying to arrive at an understanding about a day when the anti-poll-tax bill could be taken up, when it would not necessarily interfere with other important legislation. We have tried to agree on a time when it could be disposed of one way or the other without the intervention of other bills causing the matter to be laid aside from time to time.

I have conferred with a number of Senators who favor the anti-poll-tax measure as well as with a number who oppose it. We have tentatively agreed that on next Tuesday, the 9th of May, an attempt will be made to begin the consideration of the anti-poll-tax bill. If the motion of the Senator from West Virginia [Mr. KILGORE] shall prevail, of course it will interfere with that program. If that program has to be set aside for the pending bill or any other bill, it is easy to see how the matter might drag along indefinitely, as it did on another occasion, and the Senate indulge in what might turn out to be futile debate, or time be spent on the measure without a final determination one way or the other.

I suppose that nearly everyone knows that I favor the proposed legislation known as the anti-poll-tax bill. I voted before and will again vote for cloture in order to secure a vote on the bill. However, my attitude on it is of no importance except as my vote is concerned. Unless we obtain cloture we cannot obtain a vote on the bill, and if we cannot obtain a vote on it, the bill cannot be enacted into law. No matter how able the speeches may be, or from what side of the Chamber, or from what Senator they may come, they will not change the vote either on the bill or on the motion for cloture, and it is my feeling that after a reasonable length of time spent in debate an effort should be made to obtain cloture.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. DANAHER. Does the Senator from Kentucky understand that a motion for cloture will lie at the time of the debate on the motion to take up the anti-poll-tax bill?

Mr. BARKLEY. No, I do not so understand, because that is not the situation. A motion for cloture can only lie with reference to the debate on the bill

itself after it has been made the unfinished business. I hope that may be speedily done, because I believe that is the sensible way in which to deal with the problem. It is a very practical parliamentary situation. I think it would be most unfortunate for the Senate to spend a long period of futile time on the bill unless a final vote could be obtained on the bill itself. I mention this because I cannot support the motion of the Senator from West Virginia to postpone further consideration of the pending measure until next Wednesday, which will be the day following the day when we expect to take up the poll-tax measure, and which will be more than a month after the date we had arranged for its consideration to begin.

Mr. KILGORE. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from West Virginia.

Mr. KILGORE. Would it be satisfactory to the Senator to take it up on next Monday, which will be before the bill to which he has referred comes up? That would give me more time to study it.

Mr. BARKLEY. I am not in charge of the legislation. I do not know how controversial the Senator's amendment might turn out to be, but, unless we should be able to conclude the legislation on Monday, my feeling about it, in view of the other agreement, is that it would have to go over until after debate on the poll-tax bill had been concluded, and that might create as bad a situation as that which I have just discussed. For this reason I cannot vote for the motion to postpone the legislation until next Wednesday.

I agree with the Senator from Georgia that if those who have been urging for weeks the consideration of the anti-poll-tax bill and sought in good conscience to take it up, after the tentative agreement we have entered into, should modify that agreement, I would have no objection to this matter going over, but that is impossible. I can well understand how they cannot afford to do that in view of the fact that for a long time they have been seeking an understanding as to when the measure in which they are interested might be brought up again, and that having been determined, they cannot very well afford to yield on it without subjecting themselves to the charge that they are playing hot and cold with the proposition.

Mr. MURRAY. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. MURRAY. I should like to inquire if it will be possible for the able leader to permit this over-all legislation including the unemployment-compensation bill to follow the poll-tax measure?

Mr. BARKLEY. I will say to the Senator that, so far as I am concerned, I am as much interested in the rest of this program as anybody possibly can be. I am a member of the Post-war Economic Policy and Planning Committee; I participated in the consideration of the bill which we have brought before the Senate, and which was referred to the Com-

mittee on Military Affairs, which in turn has acted upon it with some amendments. I am interested in the other phases of legislation dealing with post-war problems as much as if not more than I am in this, although I recognize the importance of the pending measure so that men who have contracts with the Government may know what their rights are and may have them settled in order that they may begin the process of reconversion and begin the process of employment of men who are going to depend upon them for employment not only in the transitory period but permanently when we get back to a peace basis. I am interested in all the human elements of this situation, taking care of the men themselves, making provision for the unemployment, and all of that; but if we wait to consider this matter until the other measures have reached a status where we can take them up, it would not hasten the consideration of those bills at all by 1 day, in my judgment, and it would postpone for an indefinite length of time the consideration of this matter upon which we are ready to pass.

Much as I sympathize with those who have urged that the whole matter be disposed of in one piece of legislation, I feel that that is not the best course to pursue at this time.

Mr. MURRAY. It occurs to me that if we proceed now with the pending bill, the contract-termination bill, and enact it, we could immediately apply ourselves to the other over-all legislation and have it ready by the time the poll-tax bill was out of the way.

Mr. BARKLEY. Getting down to the meat of his question, I will say to the Senator, as a member of the Committee on Post-war Economic Policy and Planning, that as the Senator from Georgia, the chairman, has already indicated, we are giving consideration to that, and as one member of that committee, I would certainly give my word that we would see to it as rapidly as possible, and if that legislation is ready for submission to the Senate or to the Committee on Military Affairs or to whatever other committee it has to go after it has been reported by the Post-war Economic Policy and Planning Committee, which is not a legislative committee, I shall, of course, cooperate with the managers of that legislation to bring it before the Senate at the very earliest day following the poll-tax bill, or at any other time when it may be brought before the Senate for consideration. I certainly should hate to see it postponed until after any recess for the conventions or any other recess during the summer, and I will exert all my energies to see to it that it is considered prior to any such recess.

Mr. MURRAY. The proposed legislation is now before the Military Affairs Committee and is being handled by a subcommittee of which I am chairman.

Mr. BARKLEY. Yes; that is true; but there are certain phases of the question that the Post-war Economic Policy and Planning Committee is considering upon which it might want to make a report and recommendation. I am saying what I am saying as a member of that committee. If the Committee on Military

Affairs is ready to report legislation dealing with the other problems in the very near future, I will certainly cooperate with that committee in getting immediate consideration of it by the Senate as soon as it is reported.

Mr. VANDENBERG. Mr. President, I am unable to allow the pending motion to come to a vote without a brief statement, because I represent, in part, what is the largest war contract sector of the country, and therefore the sector which confronts the greatest post-war jeopardy in respect to demobilization and reconversion of war industry. I cannot emphasize too strongly the feeling which pervades this great war-production area that from now on every hour of delay in writing the preliminary reconversion formula is an hour which invites serious disaster.

I have the greatest respect for my good friend the able Senator from West Virginia, and, under normal circumstances, I should be anxious to join in the acceptance of any request which he might make in respect to the postponement of legislation. But, Mr. President, this is a matter which, in my humble opinion, cannot be postponed any longer unless Congress is prepared to take the responsibility for what might one day easily become the greatest panic in history in respect to demobilization; whereas, on the other hand, if Congress does lay down the basic formula in time before it is too late there is no reason why the post-war era should not be one of substantially stabilized prosperity.

I have to take the same position that was taken by the able Senator from Georgia. So far as I am concerned, I shed any share of the responsibility for any further delay which may in any respect be responsible for any such tragedy as I have indicated.

I am not speaking merely my own opinion when I use these harsh words. I know of no man in the United States who is a better judge of this economic prospectus than Mr. Bernard Baruch. Whether we agree with him upon all occasions or not, the fact remains that he is one of the great economic sages of this country, and I am quoting Mr. Baruch, speaking to me within the last few days, when I say that Mr. Baruch believes that every hour from now on which we delay in starting the process which writes the formula which permits this country to demobilize and reconvert its war contracts is "an hour"—and I quote Mr. Baruch literally—"which invites vast adventures in adversity." I repeat, I want none of that responsibility and I intend to take none.

Mr. President, the problem of demobilization and reconversion does fall into three and probably four general subdivisions. The Senator from West Virginia is quite correct; the pending bill, S. 1718, refers only to the first two of them, the two which are first faced by industry when it has to reconvert, namely, contract termination and plant clearance.

There still remains the question of the disposition of surplus property. There still remains the question of unemployment compensation and of severance pay.

I will agree that the latter two, in their time, are just as important to those who are interested in them as are the first two. I will agree that we have not covered the subject adequately or conclusively until we have covered all four. I will agree to join with the Senator from West Virginia and the Senator from Georgia and the Senator from Montana in seeking to proceed through the total program before Congress shall take a recess. But I certainly cannot agree that these first two essential things, contract termination and plant clearance, shall be set aside until there can also be an agreement upon unemployment compensation and surplus-property disposition.

These questions have been before the Senate Committee on Post-war Economic Planning for 9 months. They have been before the Senate Military Affairs Committee for 9 months. If there is any suggestion that there has been a lack of time to explore them or a lack of time to submit amendments, any such suggestion is unwarranted and unjustified.

I started in on the consideration of the total problem with precisely the same viewpoint which the Senator from West Virginia has and precisely the same viewpoint which is expressed in the statement which has been given us on behalf of these labor organizations. I insisted that this problem was one integrated problem and had to be answered all at once. But I came to the point where I was reluctantly driven, and driven irresistibly, from that point of view, except as I was willing to wait, perhaps until too late, in order even to make a start in respect to solving the problem.

The problem of contract termination and plant clearance is a relatively non-controversial problem now that we have finally put it in the form of S. 1718. The proof of that fact is that S. 1718 now has the unanimous support of the Senate Committee on Post-war Planning, the support of the Military Affairs Committee, the support of the Murray subcommittee of the Military Affairs Committee, the support of the procurement agencies of the Government related to war production, and the support of the Baruch committee.

Mr. President, if it is possible to mobilize any more powerful credentials upon which the Senate of the United States is entitled to rely, I do not know how it could be done. This bill is the bill which we present. We have divided it from these other questions for the reason that surplus-property disposition is highly controversial. Even when Mr. R. T. Thomas, of the C. I. O., testified before the Murray committee this week, he himself said, "We are not yet prepared to testify in detail on the utilization of war property."

We are not ready to legislate upon that subject. We are not ready to legislate upon unemployment insurance. We must legislate upon those subjects, I repeat, before we have concluded our job, and I am prepared to follow through and legislate on them. But, Mr. President, if there is to be an all-or-nothing policy, I very much fear the answer will be nothing, and then the answer will be economic tragedy, and there will be economic

tragedy not merely for war contractors. Let no one mistake the ultimate impact of this problem. The jobs of 50,000,000 workers, the jobs of all the returning members of the armed forces, are equally at stake, because it is necessary to swiftly and conclusively terminate these contracts covering 80 percent of our average annual income, it is necessary to physically clear these plants, it is necessary to release private industry to a chance to function in a post-war era, before one single post-war job can be created.

Labor has just as great a stake in the thing about which we are talking this afternoon as has the war contractor, and instead of talking about postponing the consideration of legislation such as S. 1718 until we can perfect an unemployment insurance amendment, instead of talking about delaying legislation for the sake of unemployment insurance, I beg of the Senate to act in the name of employment, which certainly is an objective primary to unemployment, or anything related to it. It is employment that is at stake here this afternoon.

Mr. President, we cannot postpone this thing until next week without jeopardizing the whole program. The able Senator from Kentucky has made it perfectly plain that if we postpone, we collide with the poll-tax schedule. If we postpone to that point, the first thing we know we will have collided with the recess, and the first thing we know we will have collided with an election, and the first thing we know we will be around to a new Congress, and then the first thing we know we will have collided with a post-war crisis and calamity and tragedy for which I refuse to take any responsibility whatever.

Mr. President, I feel deeply upon this subject because, I repeat, I come from an area whose lifeblood depends upon adequate governmental action which must precede the release of private enterprise to do the job which we expect it to do in respect to demobilization and reconversion.

I beg of the Senate not to postpone this matter longer. It has been postponed and postponed and postponed. We have had hearings and hearings and hearings, before multiple committees of both Houses of Congress. The situation does not permit of any further postponement. Time is of the essence. Let us enact S. 1718, which is the result of a total agreement among practically all the agencies and instrumentalities of the Government dealing with this problem. Then let us turn to the problems submitted by the able Senator from West Virginia, and I pledge him my total cooperation, and no recess of the Senate, until action occurs. I pledge him total cooperation in completing this job. But let us not commit the suicidal act of insisting upon all or nothing.

Mr. AUSTIN. Mr. President, as a member of the Committee on Military Affairs of the Senate I wish to oppose the motion for continuance. I sat through the hearings before the special committee, but I wish particularly to call to the attention of the Senate that on April 28 the Military Affairs Committee of the Senate, that is, all those members who

were present, unanimously voted to report the pending bill favorably, notwithstanding the fact that there are features of the bill to which certain members have objections. Personally, I have objection to certain features of the bill, and, personally, I am very anxious to have Congress pass upon the other questions to which the distinguished Senators who have preceded me have alluded, and to pass upon them at the earliest possible moment.

I think I speak the sentiment of the committee when I say that if I felt that a few days' delay in the consideration of the pending bill would expedite the consideration and passage of bills covering the remaining points which must be covered, that is, the most controversial ones, I should favor the delay. But the committee considered the whole question of time and of procedure, one Senator offered an amendment to the motion to report the bill which involved the subject of time, and called for speed. That unusual procedure in connection with the report of such a bill was adopted. It was the firm conviction of the committee that speed is of the very essence of this matter.

Why is it so, Mr. President? It is so because we are in the way of progress in this war. Those who have the greatest stake in clearing facilities of their unnecessary machinery and their terminal inventories are in some cases those who are interested in speeding the victory, in getting the war carried through to its end at the earliest possible date.

The pending bill is a war measure. It provides authority to take machines out of one factory and put them into another factory where they can be used, after adaptation to the new type of weapon that is necessary, and for the use of finished goods that constitute parts, and for the use of small tools other than machinery affixed to these facilities. In other words, all of us who have an interest in bringing the war to a conclusion at the earliest possible time are interested in taking care of something that is upon us daily. It is not merely a post-war question, but is upon us daily. I may exaggerate when I say every day, but I mean to say that currently there are terminations of contracts occurring, and there are cut-backs occurring, which leave the Government with the necessity of having to temporize in the handling of the whole question of financing those contracts which are suddenly ended, to take care of the men who are employed at this time, and all the other problems that are pressed upon us currently, and with respect to which we cannot wait. We must go ahead and provide some measure of preparation, and some policies, and some rules governing the great transaction of clearing the way and getting terminal inventories either stored or transferred to someone else who will use them in the war effort, or sold for private use, and thus benefiting the war effort. We cannot wait.

There is one feature about this bill which is limited to termination of contracts and disposal of terminal inventories, which can be considered and

passed at the present time, whereas the other questions cannot.

Mr. KILGORE. Mr. President, will the Senator yield?

Mr. AUSTIN. In a moment I shall yield. Perhaps the distinguished Senator who is now asking to interrupt me may have the answer; but after serving on two committees and hearing presented the interests of labor, the interests of the contractors, and the interests of the Government, I cannot say that I know of a single person who now has a plan for disposal of such surplus properties as these great facilities which have been erected and are now owned by the Government of the United States, or have been financed either in part or in whole by the Government and built by contractors as extensions, or as new plants for the purpose of the war effort. The development of such a plan needs time and study. Therefore is there any reason in the world, except pressure, for postponing the consideration here today of this particular bill which has been carefully worked out and fully considered, and has that great sponsoring to which the Senator from Michigan [Mr. VANDENBERG] has referred? I think it would be unwise from every point of view to postpone the consideration of Senate bill 1718.

I now yield to the Senator from West Virginia.

Mr. KILGORE. Mr. President, after listening to the very able arguments which have been made, in the interest of saving time in the consideration of the bill I should like at this time to withdraw my motion, and I hope that the able Senators who have discussed the matter have carefully read the amendments which have been prepared and printed and are now on the desk of Senators, so they will be able to vote on the amendments when I offer them to the bill.

Mr. MEAD. Mr. President, I feel impelled to make a brief statement in view of the fact that my name has been referred to in the course of this debate. It would be impossible for me, so far as I am personally concerned, to make any decision whatsoever with reference to the consideration of the so-called poll-tax bill scheduled for next Tuesday. I say that advisedly, Mr. President, because after prolonged conferences in which the majority leader was most considerate and very patient, conferences with the chairman of the Committee on the Judiciary and his associates on that committee, we finally collectively arrived at a decision to take up the bill on Tuesday of next week.

Mr. President, in view of the decision that was reached by a collective group after a series of conferences, it would be impossible for me, without consultation with that group, to make any other arrangement, and I am very happy that the able Senator from West Virginia has withdrawn his motion, and that we will be able to proceed with the consideration of the pending bill.

While I realize the importance of the amendments advanced by the able Senator from West Virginia, I have a keen appreciation of the diligence and the

energies expended by the committee headed by the senior Senator from Georgia, and also by the members of the Military Affairs Committee who collaborated in the preparation of the proposed legislation.

But, Mr. President, the bill that will be taken up on Tuesday of next week has been on the calendar for over 20 weeks. It was not taken up before because for a time, at least, it was the opinion of the former chairman of the Committee on the Judiciary, our deceased colleague, Senator Van Nuys, that it should be set aside until important legislation associated with the war effort had been passed upon, and then, when it was agreeable and when no interference could be anticipated, it should be taken up, thoroughly debated, and finally determined upon.

Now, Mr. President, after a series of conferences, that has been done. Senators who are away have been notified. They are making plans to be here, and it would be unfortunate if there were any change made in that schedule. Above all, Mr. President, it would be impossible for me to make a decision affecting an entire group without summoning that group back into conference again. I am very happy to know that suitable arrangements have been made for the progress of the pending legislation.

Mr. GEORGE. Mr. President, I presume that the Senator from West Virginia will be allowed to withdraw his motion. If not, I will ask unanimous consent—

The PRESIDING OFFICER. The Senator from West Virginia has that right, and he has withdrawn his motion.

Mr. GEORGE. I want to express appreciation to the Senator from West Virginia, though he seems not to be in the chamber at the moment, and again to assure him that there will be no let-up in the work upon the other questions involved in the general reconversion program, or in the full appreciation of the complete importance of every phase of it.

At this time I wish to say, Mr. President, with respect to the pending bill that it really was produced by the distinguished junior Senator from Montana [Mr. MURRAY]. I am sure there is no stronger friend of labor in this body or in this country, and no one more interested in providing a cushion for the worker during the period of transition from war to peace, and I am quite sure he will give the same untiring labor and energy to the solution of the other phases of the reconversion problem that he has given to this phase.

I merely wish to point out at this time the fact that the Special Committee to Study and Survey Problems of Small Business Enterprises, of which the distinguished junior Senator from Montana is chairman, worked upon this problem from the beginning, and did so concurrently with the Special Committee on Post-war Economic Policy and Planning. Both as a member and as chairman of that committee, and as a member of the Committee on Military Affairs, and chairman of the subcommittee in charge

of this legislation, and as an ex-officio member—because by invitation he was made such—of the Special Senate Committee on Post-war Economic Policy and Planning, the Senator from Montana [Mr. MURRAY] has performed what I believe to be a magnificent service to the country in advancing our reconversion program thus far.

Mr. President, as a part of my formal statement, I should like to have printed in the RECORD the report of the Special Committee on Post-war Economy Policy and Planning, particularly the recommendations made to the Committee on Military Affairs on Senate bill 1718; and I ask unanimous consent for that purpose.

There being no objection, the report (No. 539, pt. 3) was ordered to be printed in the RECORD, as follows:

On February 11, 1944, Senators MURRAY and GEORGE jointly introduced S. 1718, a bill to provide for the settlement of claims arising from terminated war contracts, and for other purposes. The bill was referred to the Senate Military Affairs Committee and by that committee referred to its War Contracts Subcommittee, composed of Senators MURRAY (chairman), TRUMAN, and REVERCOMB.

The bill resulted from general studies of the subject by the Special Committee on Post-war Economic Policy and Planning and by the War Contracts Subcommittee of the Military Affairs Committee.

At the request of the War Contracts Subcommittee this committee has continued its study of the subject, with special reference to the detailed provisions of S. 1718. The staff of this committee has held many conferences with various interested business groups and with the various contracting agencies, in an effort to reconcile the views of those groups, and secure a bill that gives the greatest recognition to the problems of each of them.

The information gained in all of these conferences and studies has been carefully considered by this committee.

It has concluded, in view of the speed with which contracts are being terminated, and the legal obstacles in the way of their settlement, that it is imperatively necessary that legislation dealing with the subject be passed at the earliest possible moment and that such legislation not await the solution of other problems of demobilization.

The committee has considered many amendments to S. 1718, most of which are merely clarifying, but some of which go to the substance of the bill. The amendments which the committee recommends are shown in the copy of the bill attached to this report as an appendix, the deleted matter being lined out and the new matter being inserted in italics.

The reasons for these suggested changes are as follows:

DEFINITIONS

Section 3: The changes recommended in subsections (b) to (k) are merely clarifying. Subsection (l), dealing with termination inventory, was added for reasons that will more fully appear in the explanation of the changes under section 12. Subsection (m) was added merely to avoid repetition in the body of the bill.

DIRECTOR OF CONTRACT TERMINATION SETTLEMENT

Section 4 (a): It was felt that the activities of the Office of Contract Settlement should be coordinated with other mobilization and demobilization activities and that the most feasible way to do this was to place that office in the Office of War Mobilization.

Sections 4 (b) and (c): Certain functions under the act are made the primary responsibility of the Director and certain others are left the primary responsibility of the contracting agencies. This committee believes that the Director can render the greatest service if he keeps himself entirely free from operational duties and that, wherever operational duties are imposed upon him, he should conduct the operations through established agencies of Government to the greatest extent feasible. This committee is convinced that the mechanics and operations in the settling of contracts, the clearing of plants, and interim financing can best be performed by the contracting agencies themselves and the duties of accomplishing these objectives are imposed primarily on those agencies. In relation to those duties the Director should (a) see that uniform standards are laid down for their exercise, (b) require the exercise by the agencies of those duties, responsibilities and discretions in proper classes of cases where they might otherwise not be exercised, and (c) restrict their exercise by the agencies in proper classes of cases.

The suggested sections (b) and (c) seem to this committee to state more clearly this purpose than section 4 (c) of the original bill. Section 4 (b) of the original bill has been incorporated as a part of 4 (d), to indicate more clearly that it is intended to be a limitation on the employment of personnel by the Director.

As a result of the language of the suggested section 4 (c), references throughout the rest of the bill to "regulations of the Director," "policies prescribed by the Director," etc., are deleted. The language of the suggested section 4 (c) makes repetitive all such references that have been deleted.

SETTLEMENT OF TERMINATION CLAIMS

Section 6 (a): The changes recommended in this subsection are merely for clarification.

Section 6 (b): The change in the first sentence of this subsection is recommended to make it plain that a part of a termination claim may be settled by agreement, without the settlement of the whole. The first change in the second sentence is merely clarifying. The second change in that sentence is made because of the addition of the definition in section 3 (m). The remaining changes, except the deletion of the words "submits to arbitration", are merely clarifying. The reference to arbitration was omitted because of recommendations for changes in the arbitration provision which will be discussed later in this report.

Section 6 (c): This committee felt that 2½ percent per annum, in view of the present money rates, was a more equitable rate of interest. It was felt that the change in the period for the beginning of the payment of interest was more definite and would not penalize contractors who might experience difficulties and delays in getting their claims filed. It also felt that interest should not be paid, in the case of an unsuccessful appeal, where the contractor could have had his money without such appeal. The other changes in this subsection are merely clarifying.

Sections 7 (a) and (b): All the changes in these sections are merely for clarification.

Section 7 (c): This section as originally drawn made the supervision over payments to prime contractors on account of termination claims of subcontractors mandatory. It is not believed that this is necessary or desirable in all cases. The provision is made permissive, having in mind that the Director under the proposed section 4 (b) (3) has the power to make it mandatory.

Section 7 (d): The contracting agencies felt that the problems of group settlement were so complex that the Director should be required to consult with them before as-

signing claims of one to the other. This provision imposes no limitation on the Director's power and it seemed to the committee a reasonable request. An addition has also been recommended to the section to make it plain that settlements made by one agency of group claims would be binding on all agencies.

Section 7 (e): The first italicized sentence was added to facilitate settlements with subcontractors. It was felt that, if the contracting officer had to ascertain that the total of all payments made to subcontractors and the prime contractor would not exceed the amount which might be due under some limitation in the prime contract, settlement directly with subcontractors would be impossible. Among such limitations are provisions that the total to be paid the prime contractor, under no circumstances, could exceed the contract price, and provisions for set-offs. It is recognized that this policy may result in the Government paying more in settlement than would be paid if all settlements were made through the prime contractor, but the committee believes that in many instances it will be so necessary to settle directly with subcontractors that this risk should be taken.

The second italicized sentence was added to enable the subcontractor to know definitely when he would be dealt with by the contracting agency, so that he could not be shunted back and forth between the prime contractor and the contracting agency, and to prevent the subcontractor's pursuing his common law remedies for additional amounts against the prime contractor, after accepting any benefits that he might derive from direct dealings with the Government.

Section 7 (f): The committee feels that this section should be deleted. As it is written, it makes payments to subcontractors who are deprived of fair compensation through the insolvency, bankruptcy, or default of a prime contractor, entirely permissive, and prescribes no yardstick for the contracting agencies or the Director to determine when and in what circumstances the Congress intends that these payments should be made. If any comparable section is put into the act, the Congress should clearly prescribe the situations and the terms and conditions under which the payments should be made. Much can be said for the proposition that a subcontractor should be protected where, through the exigencies of war, he has been compelled to extend credit to financially weak prime contractors over and above the amount to which good business judgment would indicate the prime contractor was entitled. On the other hand, many subcontractors have sold these financially weak prime contractors at higher prices than they would have received from one in good credit standing. Many have sold them from choice, because of the profits involved. To permit these subcontractors to retain those additional profits or to protect them in cases in which they have sought such business cannot be justified. Unless some means can be found to limit the operation of this section to cases in which the subcontractor has acted solely in the service of his country, it should be deleted entirely.

Section 8: This committee, in its report to the Senate, dated February 9, 1944 (S. Rept. 539, pt. 2), made the following statement:

"The committee recommends the immediate payment of the contract price for all finished goods on hand; the immediate payment of 100 percent of the direct cost of all inventories of raw materials and partially processed goods in the hands of the contractor, and as large a percentage, up to 90 percent, of all other items in the claim as the contracting agency feels will afford the Government reasonable protection.

"Where the detailed ascertainment of the direct cost of inventories is apt to cause delay, the procuring agency should be authorized to

make advance payments and partial payments up to 90 percent of the estimated total amount due on terminated contracts and subcontracts or groups thereof, and should be authorized to base the estimates on such certificates of the contractor or on such other evidence as they deem sufficient, or as may be prescribed by the Office of Demobilization."

It has not changed its opinion in this regard. At the same time, it has not been able to ascertain any practicable means of making these recommendations mandatory by legislation.

The original section 8 in subparagraph (b) made mandatory the payment of 90 percent of the amount of the termination claim of a war contractor, after certain deductions. It should be borne in mind that this was not 90 percent of the amount estimated by the contracting agency to be due. It was recognized that, in good conscience, in many cases, advances could not be made merely on the contractor's statement. It was recognized that ability to do this would vary with the type of items included. In 8 (c), the Director was given the power to prescribe the classes of cases in which this would not be mandatory, but he was given no basis for determining when he should exercise this power. The original sections, in effect, held out false hopes of payment without checking, and the committee felt that the benefits to be derived were illusory.

In its report of February 9, this committee recommended that the Director be given power to make this interim financing mandatory upon the contracting agencies and the suggested section 8 (b) follows this recommendation and takes the place of the original sections 8 (b) and (c). The committee believes that the suggested amendments are a more realistic approach to the matter. The Director should understand clearly that it is the intention of the Congress to get money into the hands of contractors within the 30 days provided in section 8 (a) but that the burden is placed upon him to work out methods suited to the variety of cases that will be presented.

The suggested 8 (c) takes the place of the deleted portion of the original 8 (d).

This committee feels that the penalty provided in the original 8 (d) is a necessary corollary to the rather summary methods of financing provided in the preceding subsections of this section. However, it feared that such inflexible provisions would impose a severe obstacle to interim financing and would cause contractors to refrain from requesting it for fear they would not be able to estimate their claims accurately. The substitute section 8 (c) contemplates that the director would provide for the breaking down of applications into indisputable factual items and items that might well be debatable, possibly paying the first on a certificate of the contractor and making the penalty applicable to that portion of the interim financing. While the power to impose the penalty should remain, it should not be permitted to interfere with proper interim financing.

Section 8 (e): This section was changed to make the use of advance payments for termination expenses merely permissive, rather than mandatory. It was pointed out to the committee that such use might, in some instances, result in the contractor getting more from the Government than the amount to which he would be entitled. This committee cannot foresee what the result might be in any given case if such use were made mandatory.

Section 8 (g): This section is suggested to make it plain that the contracting agencies have the power to make settlements necessary to clean up interim financing problems which may be left after the settlement of the termination claims and to validate any interim financing which has previously been

made, and which is not inconsistent with the provisions of this act.

All other amendments suggested in section 8 are merely clarifying.

Section 9 (a): An addition is made to this section to make it clear (a) that partial payments may not be final and that where they are not, the provisions for repayment set out in subsection (b) of this section will be preserved, and (b) that there may be partial final settlements.

Section 9 (b): It is suggested that the interest provision should be inserted in this section. The other changes are merely clarifying.

Section 10: The suggested changes in this section are merely clarifying.

Section 11: This committee believes that the original provisions of section 11 went too far in attempting to provide war contractors with notice of termination and that the retention of this section would result in the production of much unnecessary material. The words "to the fullest extent feasible" in subsection (b) (1), which were intended to be limiting, do not in fact limit the operation of this section. If the Government is willing to produce unnecessary goods, it would always be feasible to provide the notice, but providing it, in many instances, would result in 30 days of unnecessary production.

Being completely in accord with the purpose of the section, this committee feels that its suggested substitute is as far as the Congress, as a matter of policy, should go.

Subsection (c) is designed to relieve contractors of the burden of stop orders which are not followed by terminations. The contracting agencies objected very strongly to subdivision (2) of this subsection, but it was believed that the rights given the contractor there would prevent mere inertia on the part of the contracting agencies. On the other hand, if there were any real reason for the cessation without termination, the contracting agencies, under their powers under the Selective Service Act, could prevent the use of this privilege.

REMOVAL AND STORAGE OF MATERIALS

Section 12: The original subsection (b) of this section attempted to set out all of the provisions with reference to removal of materials. The suggested substitute subsections (b), (c), (d), and (e) accomplish the following:

(a) provide much more detailed instructions for the exercise of the authority conferred;

(b) provide 60 days instead of 30 days for the removal of the inventories, to meet the views of the contracting agencies as to their ability to act;

(c) make a proper distinction between goods removed that may be allocable to terminated war contracts and those that may be found not to be allocable;

(d) provide the contractor with a prima facie correct inventory of goods removed, in the event the Government does not act expeditiously;

(e) establish the measure of liability of the Government to the contractor for such inventory;

(f) provide for the termination inventories reaching the proper disposal agencies.

Subsection (c) should be stricken as directly contrary provisions are contained in the suggested subsection (e). The committee feels it vitally necessary that the Director should have power to take physical possession of these inventories and channel them into the proper disposal agencies, rather than leaving the power of disposition to the various contracting officers, as is the case today.

Suggested subsection (f) is new. It was inserted because of complaints that the contracting agencies were delaying settlement of termination claims pending the disposal of inventories by the contractor.

Subsection (g) is new. It provides for the removal of Government machinery that may be stored in any privately owned plant. While machinery probably was included in the definition of "materials" used in the original draft, it may become necessary to remove machinery on account of the completion of a contract rather than its termination, and because of the different conditions applicable, it was felt better to separate the provisions.

Suggested subsection (h) was inserted to make perfectly certain that the use of termination inventories for war purposes would not be interfered with.

Suggested subsection (i) was inserted because of the possible inference that the war contractor may be prevented, by this section, from removing termination inventories at his own risk prior to the time provided for a check by the Government.

The original appeals provisions in S. 1718 followed exactly the recommendations of this committee in its report of February 9. Upon further study it was believed that the mandatory submission of claims to arbitrators and umpires scattered throughout the country would result in a great lack of uniformity in settlements and would take more of the time of the personnel of the contracting agencies than could be justified, without corresponding benefits to the war contractors.

Consequently the committee felt that it was better to provide for a larger appeal board and provide for its holding hearings throughout the country, abolishing the provision for umpires and providing for arbitration only by agreement.

In the suggested section 13 (a) the time within which findings were made mandatory was extended from 60 to 90 days. The contracting agencies universally felt that if a shorter time was provided an unnecessarily large number of cases would go to appeal without findings.

It is suggested that subsection (b) be amended to make it clear that appeal could be had where the decision went only to a portion of the claim.

In subsection (b) (2) an amendment is suggested to preserve State court jurisdiction over the Reconstruction Finance Corporation and its subsidiaries.

Suggested subsection (c) (1) would permit reviews within the contracting agency—to give higher authority in the contracting agency an opportunity to revise the findings of the contracting officers.

The suggested changes in subsection (c) (2) are merely clarifying.

The suggested changes in subsection (c) (3) are designed to prevent appeals before a fair effort is made to reach a settlement in the agency.

Subsection (d) effectuates the change in the appeal method resulting from the elimination of umpires and mandatory arbitration.

Subsection (e) provides for permissive arbitration in lieu of the mandatory provision which it is suggested be stricken.

It is suggested that subsection (f) be amended to make settlements, under the method provided, between war contractors binding on the United States.

COURT OF CLAIMS

Section 14 was prepared by the Department of Justice. The officials of that Department have promised to submit to the Military Affairs Committee some suggestions for its improvement and, in view of this, this committee expresses no opinion in reference to it.

PERSONAL FINANCIAL LIABILITY

Section 15: The changes in this section are merely clarifying.

THE GENERAL ACCOUNTING OFFICE

Section 16: This committee was advised by the staff of the War Contracts Subcommittee that these suggested changes were in ac-

cordance with suggestions made to that subcommittee by the Comptroller General. They are satisfactory to this committee.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

Section 17: The changes in section 17 (a) were made to make it clear that this section applied only to situations in which there was not a valid contract. Valid contracts are covered by the other sections of the act.

Other changes in this section are merely clarifying.

RECORDS, FORMS, AND REPORTS

Section 18: The purpose of the suggested changes in subsections (a) through (c) are so obvious as not to require explanation.

The suggested substitute section (d) was prepared to meet certain objections of the Department of Justice. The committee understands that it does not meet those objections and that the Department of Justice will wish to make certain other representations to the Military Affairs Committee.

PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

Section 19: This section was prepared by the Department of Justice. Officials of that Department informed this committee that they wished to make certain changes in the section but were not ready to present them to this committee. This committee recommends certain changes which appear in the appendix. The purpose of these changes is obvious and they should be included in any suggestions for change made by the Department of Justice. It is believed that the provision for preserving microfilm copies of records would greatly relieve the burden on war contractors imposed by this section.

GENERAL PROVISIONS

Section 20: The changes made in subsections (a) through (e) are merely clarifying.

Suggested subsection (f) should be added to make it possible for employees of the contracting officers to assist contractors in preparing claims.

OTHER FUNCTIONS OF THE DIRECTOR

Section 21: No changes are suggested in this section.

USE OF APPROPRIATED FUNDS

Section 22: The suggested changes in this section are merely clarifying.

DELEGATION OF AUTHORITY

Section 23 (a): It is suggested that this section be amended to limit any general delegation of authority, except to deputy directors. The suggested amendment permits delegation to department heads, upon such terms and conditions as the Director may prescribe, where it is necessary to the handling of problems peculiar to that agency, but prevents such delegation in the handling of problems common to more than one contracting agency.

APPLICABILITY

Section 24 (a): It is suggested that this section be added to make it clear that settlements once made shall not be reopened for the purpose of applying the sections listed therein.

Subsection (b) should be inserted to prevent any interference with the operation of the lend-lease acts.

Section 25 is suggested to enable the Director to exclude from the provisions of this act contracts performed abroad.

SEPARABILITY OF PROVISIONS

Section 26: It is felt that this section should be added.

CONCLUSION

This committee believes that consideration has been given to every possible phase of contract termination and that there is no reason for delaying this legislation for further hearings or for any other reason.

It strongly urges careful consideration be given to the amendments herein suggested and that S. 1718, as amended, be favorably reported to the Senate at the earliest possible time.

This recommendation should in nowise be construed as representing any belief on the part of this committee that the settlement of the other problems of reconversion should be delayed. It believes very strongly that the Congress should move forward at the earliest possible moment with the plans for setting up an Office of Demobilization with policies for the disposition of surplus property and plants and the plans for human demobilization. The recommendation that S. 1718 be reported out immediately, without waiting for the fruition of the other plans, is based on the conviction that termination legislation is needed now and legislation on the other subjects must await further consideration and study.

Mr. GEORGE. Mr. President, in this connection, I should like to say that, while all the recommendations made by the Committee on Post-war Economic Policy and Planning were accepted, in the main the provisions contained in the bill as it came from the Committee on Military Affairs are agreeable, and have the approval, certainly, of myself, as co-author of the bill, and of all other members of the Committee on Post-war Economic Policy and Planning with whom I have had opportunity to confer.

In one respect the provisions of the bill, as originally prepared and recommended by the Committee on Post-war Economic Policy and Planning, are not followed in the provisions of Senate bill 1718. I refer particularly to the fact that the Committee on Post-war Economic Policy and Planning recommended that the Director of Contract Settlement be made a member of the War Mobilization Board. The Committee on Military Affairs in its report on the bill has recommended the creation of a separate agency, so as to make the director an independent and separate agent. But substantially no conflict can arise, and that was the reason why the Committee on Post-war Economic Policy and Planning made its recommendations. It did so in order to avoid any possibility of conflict; because, of course, the President, who would be authorized to appoint the Director, may appoint the Director who now is engaged in the executive organization with this particular work.

Mr. President, I ask unanimous consent to have printed in the RECORD, two statements, one from the War Department, and the other from the Navy Department, showing the outstanding contracts. In the case of the War Department's statement, both the number and the amount of money involved in such contracts which are subject to cancellation at some period are shown, as well as the corresponding figures for those that have been canceled and have been partially adjusted. I also submit a similar statement from the Navy Department.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

ARMY CONTRACTS

Now in effect, approximately 100,000 prime contracts; value, \$43,000,000,000; approximately 1,000,000 subcontracts.

Canceled to March 31: 21,774 contracts; uncompleted value, \$13,075,452,000.

Settled, 15,917 contracts; without claim, 12,252; uncompleted value, \$2,556,530,000; with claim, 3,665; uncompleted value, \$1,777,426,000.

Total uncompleted value of settled contracts, \$4,333,956,000.

Paid out in settlement, \$112,514,000, which is 76.5 percent of the amount claimed.

NAVY CONTRACTS

Value now in effect, \$34,000,000,000; of this five billion, cost-plus-fixed-fee; twenty-nine billion, fixed price.

Canceled to March 31: 4,000 contracts; uncompleted value, \$4,000,000,000.

Out of 4,000 canceled, only 800 will result in payments; of those 800, 200 are already settled, leaving 600 to be settled.

Settled without claim, 3,200 contracts; with claim, 800 contracts; estimated amount of claims, \$120,000,000.

Mr. TAFT. Mr. President, will the Senator yield for a moment?

Mr. GEORGE. I yield.

Mr. TAFT. I wish to ask an additional question. Is it not also true that the provisions of the pending bill are in substantial accord with the Baruch-Hancock report dealing with the same subject of the termination of contracts, which report was universally commended throughout the United States?

Mr. GEORGE. The Senator from Ohio is correct. In the Baruch-Hancock report this particular bill was expressly approved.

Now, Mr. President, I gladly yield to the Senator from Montana [Mr. MURRAY], who is the real author of the pending bill.

Mr. MURRAY. Mr. President—

Mr. KILGORE. Mr. President, will the Senator yield to me?

Mr. MURRAY. I yield.

Mr. KILGORE. At this time I offer the amendments to Senate bill 1718, which have been printed and furnished to each Senator.

The PRESIDING OFFICER. Does the Senator from West Virginia desire to have the amendments read or to have them printed in full in the RECORD?

Mr. KILGORE. I should prefer to have them printed in the RECORD.

The PRESIDING OFFICER. Is there objection?

There being no objection, the amendments were ordered to be printed in the RECORD, as follows:

Amendments intended to be proposed by Mr. KILGORE to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, viz: On page 37, after line 9, insert the following:

"TITLE I—DEVELOPMENT AND EXECUTION OF WAR MOBILIZATION AND POST-WAR ADJUSTMENT PROGRAMS

"SEC. 101. The Congress hereby declares that the objectives of this act are—

"(a) To achieve the necessary war production which is indispensable to the speediest victory through the maximum mobilization and utilization of the Nation's natural and industrial resources and of the manpower not in the armed forces, and through the wartime stabilization of the civilian economy;

"(b) To insure that the great momentum of the war mobilization which is bringing victory to our arms will not be lost, but will be reconverted into a peacetime transition

program providing for full production, full employment at adequate wages, and full consumption in a steadily expanding civilian economy with rising standards of living for all; and

"(c) To provide for the development of a unified program to secure the foregoing objectives, and the necessary coordination of the activities of the Federal agencies engaged in or concerned with: Production, procurement, distribution, or transportation of military or civilian supplies, materials, and products; economic stabilization; war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; the training and placement of returning servicemen and civilian workers in war and peacetime industry and agriculture; and other programs affecting war mobilization and peacetime production and employment.

"SEC. 102. (a) There is hereby established the Office of War Mobilization and Adjustment (hereinafter called the Office), at the head of which shall be the Director of War Mobilization and Adjustment. The Director shall be appointed by the President, with the advice and consent of the Senate, and shall receive compensation at the rate of \$15,000 per annum.

"(b) There is hereby established in the Office a Bureau of Programs headed by a Chief, who shall be appointed by the President, with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per annum.

"(c) The following Administrations are hereby created within the Office of War Mobilization: (1) The Surplus War Property Administration; (2) the Contract Settlement Administration; (3) the Retraining and Reemployment Administration. Each of these Administrations shall be headed by an Administrator, appointed by the President, with the advice and consent of the Senate; and each shall receive compensation at the rate of \$12,000 per annum.

"(d) The Director, the Chief of the Bureau of Programs, and the several Administrators, except as herein otherwise provided, may employ and fix the compensation and define the authority and duties of such officers and members, and may make such expenditures for supplies, facilities, and services as may be necessary to carry out the provisions of this act. All appointments shall be made in accordance with the provisions of civil-service laws and regulations and Classification Act of 1923, as amended, except that expert technical and professional personnel may be employed without regard to these laws and regulations where deemed desirable by the Director, the Chief of the Bureau of Programs, or the several Administrators, as the case may be.

"SEC. 103. (a) It shall be the function of the Director, subject to the direction and control of the President—

"(1) to unify the programs and activities of Federal agencies engaged in or concerned with: Production, procurement, distribution, or transportation of military or civilian supplies, materials, and products; economic stabilization; war production cut-backs; settlement of claims under terminated war contracts; disposition of surplus war property; resumption and expansion of civilian goods production; the training and placement of returning servicemen and civilian workers in war and peacetime industry and agriculture; and other programs affecting war mobilization and peacetime production and employment; and

"(2) to issue such directives on program, policy, and operations to the Federal agencies as may be necessary to carry out the programs developed and the policies established by the Office under this act. It shall be the duty of all such agencies and departments to execute such directives, and to supply such

data and make such progress reports to the Office as the Office may require.

"(b) The Office may perform the functions, exercise the powers, authority, and discretion conferred on it by this act through such officials and such agencies and in such manner as the Director may determine.

"SEC. 104. It shall be the function of the Chief of the Program Bureau, subject to direction and control of the Director—

"(1) to review the programs of the several Federal agencies which are subject to the direction of the Office and to recommend to the Director such modifications as are deemed necessary to assure fulfillment of the objectives of this act;

"(2) to make periodic progress reports to the Director which shall assess current performance on approved programs;

"(3) to require Government agencies performing functions under this act to prepare such data and reports as are necessary to permit the review of the programs and the making of the progress reports required in this section;

"(4) to evaluate and report on current and projected public and private activities affecting war mobilization and peacetime full production and employment, and survey continuously the necessity for additional programs or legislation as will achieve the objectives of this act. The surveys shall include (without being limited thereto) programs and measures for public works, housing, taxation, industrial and regional development, expansion of foreign trade, social security, and the maintenance of competitive enterprise; and

"(5) to consult and cooperate with State and local governments, industrial, labor, agricultural, and other groups (national and local) concerning the fulfillment of the objectives of the act.

"(b) The Office shall transmit to the Senate and House of Representatives within 3 months after the approval of this act and thereafter at intervals not exceeding 3 months a summary of the progress reports, program reviews, surveys, and legislative and other recommendations prepared by the Bureau.

"SEC. 105 (a) There is hereby created within the Office a National Production-Employment Board (hereinafter called the Board) consisting of three representatives of industry, three representatives of labor, three representatives of agriculture, and three representatives of the consuming public, who shall be appointed by the President: *Provided*, That each member of the Board may designate an alternate to sit and act for him. The Board shall elect a chairman from among its own members and shall, by a majority vote of its members, determine its rules of procedure, except as otherwise defined by this act, and the powers conferred on the Board by this act may be exercised by a majority vote.

"(b) It shall be the general function of the Board, and each member individually, to endeavor to secure maximum cooperation and participation of the American people in war mobilization and post-war adjustment, and to provide the Office with such advice and guidance as the members deem will promote the objectives of this act. The Board and each individual member thereof shall have full access to all data in the Office bearing on the effectiveness and adequacy of war mobilization and post-war adjustment.

"(c) The Chief of the Bureau of Programs shall serve as the executive secretary of the Board. He shall prepare, under the direction of the Board, such reviews of programs, reports, and studies as the Board may request, and for these purposes shall exercise on behalf of the Board the full facilities of the Office and the powers conferred on the Office by this act. The Board may make to the Congress, to the Director, the several administrators of the Office, and to other Federal officials performing functions subject to

the direction of the Office, such recommendations relating to legislation, policy, and operations as it may deem necessary to fulfill the purposes of this act. All such recommendations and all reports and studies issued by the Board shall be supplemented by such statements or comments as any individual member may wish included.

"(d) The Director, the several administrators of the Office, the Chairman of the War Production Board, and such other Federal officials performing functions subject to direction by the Office as shall be designated by the Board, shall meet with it at least once a month and shall consult and advise with it on all basic policies and programs which are subject to direction by the Office;

"(e) All Federal agencies performing functions subject to the jurisdiction of the Office shall, with respect to policies, programs, and operations affecting industrial segments or geographical areas, consult and advise with joint councils which shall be representative, in the particular area or industrial segment, of industry, large and small, labor, and wherever appropriate, agriculture. All such industrial segment or area joint councils shall be appointed by the Director, with the advice and consent of the Board.

"(f) All appointments of members or alternates to the Board, and of members of the area and industry to the joint councils, may be made without regard to any of the provisions of law with respect to the appointment and compensation of employees of the United States. Members and alternates of the Board and of the joint advisory councils shall serve without remuneration, except for per diem allowances as shall be prescribed by the Director, not to exceed \$25 each day spent in the actual performance of duty, plus necessary traveling and other expenses incurred while so engaged.

"(g) The Office shall provide for the Board an adequate technical and clerical staff which shall serve under its immediate supervision. The Director shall appoint, with the advice and consent of the consumer representatives, a consumer's counsel who shall, together with such staff as he may need, serve under the supervision of the consumer representatives in providing the Board with full information on the effect of current and projected programs and policies on consumer interests.

"TITLE II—WAR PRODUCTION CHANGES AND RECONVERSION

"SEC. 201. Subject to the direction and control of the Office, the Chairman of the War Production Board shall—

"(a) Review the military production programs of the several Federal procurement agencies for the purpose of coordinating such programs and synchronizing curtailments with the resumption of civilian goods production;

"(b) Establish unified policies and programs for the expansion, transfer, and curtailment of military production and for the resumption and expansion of civilian production covering specific products, firms, industry segments, and geographical areas;

"(c) Develop programs for the curtailment of military production and industrial reconversion based upon assumed military developments on stated dates.

"SEC. 202. The Chairman of the War Production Board, or the official to whom he shall delegate the authority and responsibilities set forth in section 201, shall advise and consult with a Production Program and Reconversion Committee, which shall consist of one representative each of the following: War Department, Navy Department, State Department, Maritime Commission, Foreign Economic Administration, War Manpower Commission, Office of Price Administration, Smaller War Plants Corporation, Office of Civilian Requirements, the Vice Chairman for Labor Production and Manpower Requirements, and such other representatives of such

Federal agencies as the Chairman of the War Production Board may designate.

"SEC. 203. In order to enable the War Production Board effectively to discharge its responsibilities under this title, each Federal procurement agency shall continuously survey its material and product requirements and shall report to the War Production Board as soon as practicable every projected change in its procurement program, including the award of new contracts and the modification, transfer, or termination of contracts previously awarded. The procurement agencies shall supply such other data as the War Production Board shall require for the purpose of this title. The procurement agencies shall maintain such records and make such reports to the War Production Board as the Board may require to appraise the compliance of the procurement agencies with the programs and policies established by the Board.

"SEC. 204. In formulating programs and policies for war production and reconversion, the War Production Board and the Production Program and Reconversion Committee shall, so far as practicable, give effect to the following objectives:

"(a) Necessary war production for our armed forces and those of our allies shall be expedited and maintained without impairment.

"(b) Curtailments of war production shall be programed so as to permit the utilization without delay of the released manpower and facilities in the production of other war products or civilian goods.

"(c) Resumption and expansion of production of specific civilian items shall, so far as practicable, be in the order of essentiality to the domestic civilian economy and to the needs of reconstruction abroad.

"(d) Subject to the overriding requirements of war production, full consideration shall be given to the production and manpower resources of the industrial segments, geographic areas, and concerns affected by curtailment and reconversion programs. The small business contractor shall not be discriminated against in the termination of contracts because of slightly higher costs of production, nor shall small business concerns, if war contracts are not available to them, be prevented from entering civilian goods production fields merely because larger concerns in the same fields are still engaged in war production. Resumption of civilian goods programs shall give particular consideration to smaller business concerns, especially in those fields which have been most adversely affected by the necessities of war production.

"SEC. 205. The Chairman of the War Production Board may establish special boards for the purpose of hearing appeals from decisions of the War Production Board with respect to production curtailment and reconversion on the grounds of discrimination.

"TITLE III—DISPOSITION OF SURPLUS WAR PROPERTY

"SEC. 301. It shall be the function of the Administrator of the Surplus War Property Administration (hereinafter in this title referred to as the Administrator and Administration, respectively), subject to the direction and control of the Director—

"(a) To handle and dispose of surplus war property upon such terms as he shall deem necessary, subject to the provisions of this act;

"(b) To have general supervision and direction of the transfer of any surplus war property in the possession of any Government agency to any other Government agency;

"(c) To assign surplus property for disposal by the fewest number of Federal agencies practicable and to centralize in one disposal agency responsibility for the disposal of all property of the same type or class;

"(d) To prescribe regulations and issue directives necessary to provide, so far as practicable, for uniform and wide public notice concerning surplus property available for sale, and for uniform and adequate time intervals between notice and sale so that all interested purchasers, large and small, shall have a fair opportunity to buy; and

"(e) To prescribe regulations and issue directives necessary to effectuate the provisions of this title; and no Government agency shall transfer or dispose of surplus war property in contravention thereof.

"SEC. 302. The Administrator shall regularly advise and consult with a Surplus War Property Committee. The committee shall be composed of one representative each of the State Department, Treasury Department, War Department, Navy Department, Justice Department, Reconstruction Finance Corporation, Smaller War Plants Corporation, United States Maritime Commission, War Production Board, Office of Price Administration, Bureau of the Budget, War Food Administration, Federal Works Agency, Civil Aeronautics Board, and the Foreign Economic Administration.

"SEC. 303. Each Government agency shall submit to the Administrator such information and reports with respect to surplus war property in such form and at such times as the Administrator shall direct. When requested by the Administrator, a Government agency shall execute such documents for the transfer of title or for any other purposes or take such steps as the Administrator shall determine to be necessary or proper to transfer or dispose of surplus war property or otherwise to carry out the provisions of the act.

"SEC. 304. In formulating regulations and directives governing the handling and disposition of surplus war property, the Administrator and Committee on Surplus War Property shall give effect to the following objectives:

"(a) Aid maximum war production by facilitating the transfer of property which may be surplus in one Government agency to meet the requirements of other Government agencies;

"(b) Promote full production and employment of labor and natural resources in all sections of the country;

"(c) Aid small business concerns to achieve and maintain maximum production and to preserve and strengthen their competitive position in an economy of free enterprise;

"(d) Aid ex-servicemen to establish and maintain their own small business enterprises;

"(e) Avoid economic dislocations resulting from uncontrolled dumping of such surpluses;

"(f) Discourage monopolistic practices and insure fair prices to the consumers;

"(g) Sell such surpluses in such quantities and on such terms as will discourage disposals to speculators or for speculative purposes;

"(h) Establish and develop foreign markets through the programed exports of such surpluses; and

"(i) Obtain the highest return for the Government consistent with the foregoing objectives.

"SEC. 305. The Administrator may perform the functions and exercise the powers, authority, and discretion conferred on the Administration by this act by such officials and such agencies and in such manner as the Administrator, subject to the provisions of this act, may determine. In carrying out the purposes of this act, the Administration may utilize the services of any other Government agency.

"SEC. 306. Each disposal agency, immediately upon assignment thereto of any surplus property and before undertaking disposal to the public, shall transmit detailed inventories thereof to the Bureau of the Budget,

the Smaller War Plants Corporation, and the Foreign Economic Administration, which agencies shall have priority in acquiring such surplus for the purposes and in the order and manner following:

"(a) The Bureau of the Budget shall have the right to acquire any surplus property for transfer to any Government agency which needs it. Such transfer shall be made upon such terms and with such charge to the appropriation of the transferee for the value thereof as the Bureau of the Budget shall prescribe in accordance with existing law.

"(b) The Smaller War Plants Corporation, subject to the authority of the Director, shall have the right to acquire any surplus property for sale or other transfer to small business when in its judgment such acquisition is required to carry out the policy of the act to preserve and strengthen the competitive position of small business.

"(c) The Foreign Economic Administration shall have the right to acquire any surplus property in the United States for sale or other transfer abroad in such quantities as the head of the agency charged with the disposal of such property and the Foreign Economic Administration shall agree upon.

"SEC. 307. The Administrator may prescribe regulations to provide for the disposition of surplus property to States, political subdivisions thereof, and tax-supported institutions as follows:

"(a) Surplus property which has been acquired by the Federal Government for school, classroom, or other educational use may be transferred to the Office of Education in the Federal Security Administration for donation to tax-supported educational institutions.

"(b) Surplus property for which the estimated cost of handling, storage, and sale would exceed the estimated proceeds of commercial sale, may be donated to States, political subdivisions thereof, or tax-supported institutions.

"(c) Any surplus property may be sold or leased to States, political subdivisions thereof, or tax-supported institutions at discounts not to exceed 50 percent of the sale or lease value thereof, as the case may be.

"SEC. 308. (a) Whenever surplus property proposed for sale or other transfer to private interests shall comprise a plant or group of plants or other property representing an original cost to the Government of \$1,000,000 or more, the Administrator, before consummating the sale or transfer, shall cause to be published in the Federal Register the terms and other pertinent circumstances of the proposed sale or transfer and shall request the Attorney General to render an opinion in writing whether, in his judgment, the proposed sale or transfer will encourage monopoly or undue concentration of industry or commerce, or restrain competition substantially. If the Attorney General shall find that such proposed sale or transfer will encourage monopoly or undue concentration of industry or commerce, or restrain competition substantially, the Administrator shall not consummate the proposed transfer. If the Attorney General shall fail to render an opinion within 30 days of receipt of a request therefor (or within such additional period not to exceed 60 days which he may specifically request) the Administrator may proceed with the proposed sale or transfer on his own responsibility. The failure of the Attorney General to render an opinion shall not be construed as a bar to prosecution for violation of the antitrust laws.

"(b) Every contract of sale (or other transfer) of the property referred to in subsection (a) shall contain suitable provisions prohibiting subsequent transfers within a period of 3 years next succeeding the effective date of the contract unless such subsequent transfer is approved by the Administrator. Before approving an application for subsequent transfer, the Administrator shall refer the matter

to the Attorney General as required in subsection (a) of this section.

"(c) Every contract for the sale, or lease for 2 years or more, of a plant shall be made upon the condition that the purchaser, lessee, or transferee, and their transferees, if any, shall maintain the plant in substantial operation and production for a period of 2 years next succeeding the effective date of the contract, and that upon breach of such condition, the Government may recover the plant upon return of the consideration due.

"(d) Every agency engaged in the disposition of surplus property shall maintain in each of its disposal offices full records of its inventories of surplus property and of each of the disposal transactions negotiated by such office and shall make such records available for inspection by the public.

"(e) At least 10 days before advertising for bids or posting notice of sale or transfer by other means, every disposal agency shall notify the nearest regional office of the Smaller War Plants Corporation of the proposed terms of disposal specifying the minimum quantities on which bids or offers will be received and the credit terms, if any, for the purpose of permitting the Smaller War Plants Corporation to advise the disposal agency if, in its judgment, the proposed terms discriminate against small-business purchasers.

"SEC. 309. No option to purchase or otherwise acquire Government-owned property which is held by any person shall be honored except in strict conformity with the price and other terms of such option. In the event of failure validly to exercise such an option, the property shall be disposed of in accordance with the applicable provisions of this act.

"SEC. 310. No Government agency shall dispose of any Government-owned plant for the production of aircraft, aircraft parts, synthetic rubber, aluminum, magnesium, or steel, or any Government-owned ship, shipyard, or pipe line, which represents an original cost to the Government of \$1,000,000 or more, unless such disposition is required by a valid contract provision in effect upon the enactment of this act: *Provided*, That the Administrator may authorize the lease of such surplus property for a term not to exceed 3 years in accordance with the provisions of section 308. The Administrator shall prepare a report on the alternative means of disposal of such property and shall submit such report together with his recommendations to Congress.

"SEC. 311. Except as may be otherwise provided by existing law, all proceeds from the sale or other disposition of surplus property under this act shall be deposited and covered into the Treasury as miscellaneous receipts.

"SEC. 312. The Administrator shall transmit to Congress in January, April, July, and October of each year a report of operations under this act, including regulations, orders, and directives of the Administrator, and summaries of each disposal in which the property involved represented an original cost to the Government of \$1,000,000 or more.

"TITLE IV—RETRAINING AND REEMPLOYMENT OF WAR WORKERS AND RETURNING SERVICEMEN

"SEC. 401. The Congress hereby declares that the objectives of this title are—

"(a) To facilitate the most effective mobilization and maximum utilization of the Nation's manpower in the prosecution of the war;

"(b) To maintain maximum employment in the transition from war to peace time production;

"(c) To provide for the coordination of the demobilization of servicemen with employment opportunities under a policy of demobilizing servicemen as rapidly as the military situation permits;

"(d) To provide necessary training of ex-servicemen and war workers; and

"(e) To provide the necessary economic assistance to returning ex-servicemen and war workers in connection with transfer, training, and reemployment.

"SEC. 402. It shall be the function of the Administrator of the Retraining and Reemployment Administration (hereinafter referred to as the Work Administrator), subject to the discretion and control of the Director, to establish a unified reemployment program covering recruitment, training, transfer, and placement of returning servicemen and workers in war and civilian production. The reemployment program shall include provision for compiling full detail on declining and increasing employment opportunities (by industrial segments, geographic areas, and plants) resulting from curtailment in war production and resumption of civilian production; for placement of workers in appropriate employment; and for interim financing of workers, including returning servicemen, pending placement in accordance with the authority of this title. The Work Administrator shall prescribe regulations and issue directives to Federal agencies necessary to effectuate the objectives of this title and all such Federal agencies shall be governed by these.

"SEC. 403. The Work Administrator shall consult and advise with a Committee on Retraining and Reemployment, consisting of one representative from each of the following: Department of Labor, Veterans' Administration, War Manpower Commission (for the War Manpower Commission and the Federal Security Agency), War Production Board, Selective Service System, Civil Service Commission, War Department, Navy Department, and such other Federal agencies as the Work Administrator may designate.

"SEC. 404. (a) The War Production Board and other agencies having data on production changes and employment opportunities shall furnish the Work Administrator full information on current and projected schedules of military and civilian production in such detail as the Work Administrator shall deem necessary.

"(b) The Director of Selective Service, with the assistance of the War and Navy Departments, shall furnish data on current and projected rates of discharge of servicemen providing such details concerning the servicemen as the Work Administrator may deem necessary and is practicable for the Selective Service and the War and Navy Departments to furnish. It shall be the duty of the War and Navy Departments to anticipate, so far as practicable, the forward programs of demobilization of servicemen, and to cooperate with the Director of the Selective Service System and the Work Administrator in furnishing full data on such demobilization.

"SEC. 405. The Work Administrator may perform the functions and exercise the powers, authority, and discretion conferred on him by this act through such officials and such agencies and in such manner as the Work Administrator, subject to the provisions of this act, may determine. In carrying out the purposes of this act, the Administration may utilize the services of any other Government agency.

"SEC. 406. In order to facilitate the recruitment, training, transfer, and placement of workers and ex-servicemen, the Work Administrator is hereby authorized to pay the cost of transportation of workers and ex-servicemen, including transportation of dependents and household effects, from their last previous residence to new jobs, in accordance with such regulations as may be prescribed by the Work Administrator: *Provided*, That such transportation allowances shall not exceed the allowances provided for Government employees in the Standard Government Traveling Regulations, as approved by the President.

"SEC. 407. (a) In order to give effect to the objectives of this title the Work Adminis-

trator is authorized to provide to any person vocational free education or training, of not more than 6 months of full-time study or its equivalent in part-time study.

"(b) Every person, while he is receiving vocational education or training on a full-time basis, shall be entitled to receive a maintenance allowance at the rate of \$50 a month if he has no dependent, \$75 if he has one dependent, and \$100 if he has two or more dependents. The Work Administrator may provide for maintenance allowances, under such conditions and in such amounts as may be prescribed by regulations, to servicemen and civilian workers receiving education or training on a part-time basis; but no such allowance shall be paid to any person receiving training on the job other than under an approved apprenticeship program.

"(c) The Work Administrator shall from time to time make available information respecting the need for general education and for trained personnel in the various trades, crafts, and professions. He shall make educational and vocational guidance generally available.

"SEC. 408. Section 2 of the Mustering-Out Payment Act of 1944 is amended to read as follows:

"SEC. 2. Mustering-out payment for persons eligible under section 1 shall be made in equal monthly installments. The first installment shall be paid at the time of final discharge or ultimate relief from active service, and the remaining installments shall be paid in successive months thereafter. Each installment shall be at the rate of \$100 if the member of the armed forces has no dependent, \$125 if he has one dependent, and \$150 if he has two or more dependents. All persons shall be entitled to two installments plus an additional installment for each year of active service or major fraction thereof. Any person who has served outside the continental limits of the United States or in Alaska shall be entitled to a further additional installment."

"SEC. 409. (a) Every unemployed person who qualifies under the provisions of section 410 of this act shall, within 1 week after registration with a public employment office designated by the Work Administrator, be entitled to placement in a suitable job or shall be entitled to 'interim placement benefits' whose payment shall be administered in accordance with section 410. Such benefits shall be at the rate of \$20 for each week of total unemployment if such person has no dependent, \$25 if he has one dependent, \$30 if he has two dependents, or \$35 if he has three or more dependents: *Provided*, That in the case of a person other than an ex-serviceman, the maximum benefit paid shall not exceed 80 percent of his regular weekly earnings, as defined by the Work Administrator: *Provided further*, That any qualified person shall be entitled to reduced benefits for periods of partial unemployment in such amounts as the Work Administrator shall prescribe on the basis of the approximate proportion borne by such person's partial unemployment to total unemployment: *And provided further*, That no benefits for partial unemployment shall be paid in excess of an amount which when added to the person's earnings during the period of partial unemployment for which paid benefits on account of partial unemployment shall exceed eight-fifths of the benefits he would receive for total unemployment for such period.

"(b) No payment for 'interim placement benefits' shall be made under this title to any person for any period unless (1) he registers with and continues to report to a public employment office, or other agency designated in regulations of the Work Administrator, and (2) he is available for suitable work: *Provided, however*, That the conditions contained in (1) and (2) of this subsection shall not be applicable during periods of illness or disability.

"(c) The Work Administrator shall by regulation prescribe disqualifications, in such cases and under such conditions as he finds will promote the purposes of this act, for leaving suitable work voluntarily and without good cause, for failure to apply for suitable work, and for failure to accept suitable work when offered. No such disqualification shall be for a period of more than five weeks.

"(d) No work shall be deemed suitable for the purposes of this section, and benefits shall not be denied under this act to any otherwise qualified employee for refusing to accept work if—

"(1) the position offered is vacant due directly to a strike, lock-out, or other labor dispute;

"(2) the remuneration, hours, or other conditions of work offered are substantially less favorable to the employee than those prevailing for similar work in the locality, or the rate of remuneration is less than the union wage rate, if any, for similar work in the locality;

"(3) as a condition of being employed he would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

"(4) acceptance of the work would require him to engage in activities in violation of law or which, by reason of their being in violation of reasonable requirements of the constitution, bylaws, or similar regulations of a bona fide labor organization of which he is a member, would subject him to expulsion from such labor organization; or

"(5) acceptance of the work would subject him to loss of substantial seniority rights under any collective-bargaining agreement between a bona fide labor organization and any other employer.

"(e) In determining whether or not any work is suitable for an employee for the purposes of this act, the Work Administrator shall consider, in addition to such other factors as he deems relevant, (1) the current practice, recognized by management and labor with respect to such work; (2) the degree of risk involved to such employee's health, safety, and morals; (3) his physical fitness and prior training; (4) his experience and prior earnings; (5) his length of unemployment and prospects for securing work in his customary occupation; and (6) the distance of the available work from his residence and from his most recent work.

"(f) For the purposes of this act, no voluntary leaving of work shall be deemed to have been without good cause if the Work Administrator finds that such work would not have been suitable for the purposes of this section of this act.

"(g) No payment shall be made under this section to any person for any period for which he receives vocational education or training allowance under this title.

"(h) Any officer or agency of an employee, or any employee representative, or any employee acting in his own behalf, or any person whether or not of the character hereinbefore defined, who shall willfully fail or refuse to make any report or furnish any information required by the Work Administrator in the administration of this title, or who shall knowingly make or aid in making or cause to be made any false or fraudulent statement or report when a statement or report is required to be made for the purposes of this title, or who shall knowingly make or aid in making or cause to be made any false or fraudulent statement or claim for the purpose of causing benefits or other payment to be made or not to be made under this title, shall be punished by a fine of not more than \$10,000 or by imprisonment not exceeding 1 year, or both.

"(i) Any person who violates any provision of this title, the punishment for which is not otherwise provided, shall be punished for each such violation by a fine of not more

than \$1,000 or by imprisonment not exceeding 1 year, or both.

"SEC. 410. (a) The following shall be eligible for the 'interim placement benefits' prescribed in section 409:

"(1) Any ex-serviceman.

"(2) Any person who within 12 months prior to his first application for such benefits was employed—

"(i) 90 days in a Federal agency;

"(ii) 90 days as an officer or member of the crew of a vessel on the navigable waters of the United States; or

"(iii) 180 days in agricultural labor.

"(3) Any person who at the time of the first application is a 'qualified employee' as defined in section 3 of the Railroad Unemployment Insurance Act, as amended.

"(4) Any person who at the time of first application for benefit would be eligible for unemployment compensation by virtue of his or her earnings under the laws of a State, in 'covered employment,' if all other qualifications were waived: *Provided, however*, That such State has arranged with the Work Administrator to pay and administer the 'interim placement benefits' prescribed in this title, either by contract, or through the provisions of State law or through such provision as the State or State unemployment compensation agency may make effective as agent of the Federal Government. For purposes of this subsection 'covered employment' shall include employment subject to the unemployment compensation law of such State and, upon election by such State, to administer any or all of the following classes of employment:

"(i) in establishments of less than eight persons not covered by a State unemployment compensation law;

"(ii) in State and local governmental agencies;

"(iii) in nonprofit organizations; and

"(iv) in domestic work.

"(5) Any person, in a State which has failed within 6 months after the enactment of this act to make an arrangement in accordance with the preceding subsection, with the Work Administrator, and who within 12 months prior to his first application for such benefits had earned not less than \$150 in employment covered by title II of the Social Security Act (providing old-age and survivors insurance benefits): *Provided*, That such person's benefits shall be subject to the reduction, in accordance with the regulations of the Work Administrator, on account of any unemployment compensation paid him or payable to him by a State agency for the same period of unemployment.

"(b) Payments of 'interim placement benefits' to persons in categories (1), (2), and (5) shall be made through such agencies as the Work Administrator shall designate, including any Federal agency and any State or State unemployment compensation agency, which has arranged to administer benefits to persons in category (4); payments to persons in category (3) shall be made through the Railroad Retirement Board; and payments to persons in category (4) shall be made through the respective States which have arranged with the Work Administrator to make such payments pursuant to section 410 (a).

"(c) The Work Administrator shall from time to time certify to the Secretary of the Treasury for payment to such States or State unemployment compensation agencies as administer the payment of benefits under this title pursuant to this section, with respect to such periods as the payment of such benefits is so administered, advances, grants, or reimbursements, equal to all disbursements of benefits pursuant to this title, minus 50 percent of the amount of unemployment benefits that would have been payable had this title not been enacted as determined under the unemployment-compensation law of such State as of the date of the enactment of this act.

"The Railroad Retirement Board shall from time to time certify to the Secretary of the Treasury for payment to the railroad unemployment-insurance accounts in the unemployment trust fund the amounts by which payments by it under this section exceed 50 percent of the amounts which would have been payable under the provisions of the Railroad Unemployment Insurance Act in effect at the time that this act was approved.

"The Work Administrator shall certify from time to time for payment to a State or State unemployment-compensation agency, or for credit to the Railroad Unemployment Insurance Administration fund such amounts as he determines (1) are equal to administrative expenses theretofore reasonably incurred by such State or the Railroad Retirement Board in the administration of any of the provisions of this title by arrangement with the Work Administrator, and (2) have not been included in the basis of any previous certification under this paragraph.

"All persons otherwise eligible in accordance with this title for 'interim placement benefits' shall be eligible during the period beginning 30 days after the day of enactment of this act until 24 months after the cessation of hostilities: *Provided*, That such benefits shall be available to a serviceman discharged from or relieved from service after the termination of hostilities for a period of 24 months following his discharge.

"TITLE V—SETTLEMENT OF TERMINATED WAR CONTRACTS

"On page 37 strike out 'Objectives of Act' as now on line 10.

"On page 37, line 11, to page 87, line 9, strike out and substitute as follows: for act, substitute title; for Director, substitute Administrator; for Office of Contract Settlement, substitute Contract Settlement Administration; for Director of Contract Settlement, substitute Administrator of the Contract Settlement Administration; renumber sections 1 to 25 as sections 501 to 525.

"Page 87, after line 9, insert:

"TITLE VI—MISCELLANEOUS

"SEC. 601. As used in this act—

"(a) 'Government agency' means any executive department, independent establishment, agency, commission, board, bureau, division, administration, office, service, independent regulatory commission or board, and any Government-owned or Government-controlled corporation.

"(b) 'Surplus war property' and 'surplus property' means any property, real or personal, including but not limited to plants, facilities, equipment, machines, accessories, parts, assemblies, products, commodities, materials, and supplies in the possession of or controlled by any Government agency, whether new or used, in use or in storage, which are in excess of the needs of such agency or are not required for the performance of the duties and functions of such agency and which are determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency.

"(c) 'Disposal agency' means any Government agency which has been assigned the operating function of disposing of surplus war property by the Administration.

"(d) 'Tax-supported institution' means any scientific, literary, educational, public health, or public welfare institution which is supported in whole or in part through the use of funds derived from taxation by the United States, the District of Columbia, or any State or any political subdivision thereof, any Territory or possession of the United States, or any political subdivision of any such Territory or possession.

"(e) 'Disposal' means sale, conditional sale, or lease, for cash, credit, or other property; donation; or any other transfer.

"(f) 'Ex-servicemen' shall include all persons who served in active duty in the military

or naval forces of the United States on or after September 16, 1940, and has been relieved or discharged from such active duty on conditions other than dishonorable.

"(g) The term 'State' shall include the several States, the District of Columbia, and the Territories of Hawaii and Alaska.

"SEC. 602. There are authorized to be appropriated such sums as may be necessary or appropriate to carry out the purposes and provisions of this act.

"SEC. 603. The provisions of this act shall become effective immediately, unless otherwise provided in the act, and unless otherwise provided shall be terminated 24 months after the cessation of hostilities."

"Page 87, line 11, renumber section 26 to become section 604.

"Page 87, strike out lines 17 and 18, substitute the following:

"SEC. 605. This act may be cited as the 'War Mobilization Adjustment Act of 1944.'"

"Amend the title so as to read: 'A bill to establish an Office of War Mobilization and Adjustment and to provide for the development and execution of war mobilization and post-war adjustment programs.'"

Mr. MURRAY. Mr. President, first I wish to thank the able Senator from Georgia for his very kind remarks.

Mr. KILGORE. Mr. President, if the Senator will yield to me, I should like to discuss my amendments as soon as possible.

At this time I desire to say that in the amendment which now lies on the desks of Senators, an insertion is to be made relative to the question of compensation. The insertion is to be made on page 31 of the amendments, and reads as follows:

5. Any person, in a State which has failed within 6 months after the enactment of this act to make an arrangement in accordance with the preceding subsection, with the Work Administrator, and who within 12 months prior to his first application for such benefits had earned not less than \$150 in employment covered by title II of the Social Security Act (providing old-age and survivors insurance benefits): *Provided*, That such person's benefits shall be subject to the reduction, in accordance with the regulations of the Work Administrator, on account of any unemployment compensation paid him or payable to him by a State agency for the same period of unemployment.

Mr. DANAHER and Mr. HATCH addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Montana yield; and if so, to whom?

Mr. MURRAY. I yield to the Senator from Connecticut.

Mr. DANAHER. Mr. President, I should like to inquire at what point on page 31 the insertion just referred to by the Senator from West Virginia is to be made?

Mr. KILGORE. It is to be made after line 16, on page 31, immediately after subsection (iv). The addition is an insertion, not a change. It goes in at the point I have just indicated, and before the following paragraph (b).

Mr. MURRAY. Mr. President, does the Senator from New Mexico desire that I yield to him at this time?

Mr. HATCH. No; Mr. President, I withdraw my request that the Senator yield to me at this time. I wished to propound an interrogatory to the Senator from West Virginia, but I shall do so later, after the Senator from Montana

has discussed his bill, and when the amendments come up.

Mr. MURRAY. Mr. President, the bill has already been fairly well discussed in the preliminary debate which has occurred on the motion made earlier in the day by the Senator from West Virginia [Mr. KILGORE], and subsequently withdrawn. I desire to say that the bill is one which has originated in the Senate. The bill did not come to the Senate from any of the Government agencies, from the administration, or from any other outside source.

The bill really originated as a result of complaints which the Special Committee to Study and Survey Problems of Small Business Enterprises began to receive from small corporations engaged in war work, which were being affected by the termination of contracts. As early as June 24, 1943, I introduced a bill entitled "A bill to facilitate the termination of war contracts." That bill was introduced as a result of the many complaints which were coming to the Senate Committee on Small Business. It seems that a great many contracts which involved thousands of subcontractors had been terminated. One contract with the International Harvester Co. involved 2,500 subcontracts. A great many other prime contracts involving large numbers of subcontracts were being terminated. These terminations were vitally affecting the small contractors, because of the absolute need to get their money out of their war work when the contracts were terminated. So they became quite fearful of the prospect of having their money tied up for long periods of time. Many representatives of these small contractors came to our committee and complained that their contracts had been terminated for periods of many months, and that they saw no possibility of getting settlements. They were tied up as a result of the existing laws, which made it impossible for the war agencies to make speedy and equitable settlements of claims.

As a result of that situation, in June 1943 I introduced the first bill on the subject. Later, I was invited by the chairman of the Special Committee on Post-war Economic Policy and Planning to sit with his committee for the purpose of cooperating in the study of the post-war program and problems which that committee was considering. I have since cooperated and consulted with that committee throughout the period while we were formulating this legislation, particularly the legislation pertaining to contract termination.

The bill which is before us today has two main principles. The first is speedy and fair settlements for all holders of terminated contracts. The bill undertakes to provide a method whereby those contracts can be terminated and promptly settled by the war agencies, without the need of waiting for an audit by the General Accounting Office, which up to the present time has precluded the Government agencies from making prompt settlements.

The bill undertakes to protect the Government against waste and fraud in making these settlements.

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. DAVIS. Does that mean that the General Accounting Office will have no further right to investigate claims after they are settled?

Mr. MURRAY. Oh, no. The bill contains very elaborate provisions designed to protect the Government from any danger of fraud, waste, or extravagance in the settlement of claims.

Mr. DAVIS. Does it take away from the Comptroller General any of the power he now has to continue his investigation after settlement has been made?

Mr. MURRAY. Absolutely no. The bill provides first that he shall have the right to investigate settlements with a view of determining whether or not fraud has occurred and whether or not payments have been made in accordance with the terms of the settlement.

The bill also provides that—

(c) The Comptroller General may investigate the settlements completed by each contracting agency for the purpose of reporting to the Congress from time to time on—

(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this act and the orders and regulations of the Director;

(2) whether such methods and procedures are followed by such agency with care and efficiency; and

(3) whether such methods and procedures adequately protect the interest of the Government.

The bill further provides that—

If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this act. At least 30 days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

The bill also contains this clause:

(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this act except to the extent necessary to give effect to the specific provisions thereof.

So it will be seen that while the bill would prevent the interminable delays which might occur without such legislation, it would nevertheless safeguard the Government in every respect by protecting the Government from fraud, and also by authorizing the Comptroller General to carry on investigations to determine whether or not there was waste, extravagance, or failure efficiently and expeditiously to carry out settlements of contracts. In that respect I think the language of the bill cannot be questioned. I am satisfied that the Comptroller General will recognize that the bill would successfully meet the problem of safeguarding the Government from the

danger of fraud or waste in connection with the settlement program.

I have mentioned the two basic principles. The Government would be protected in a fourfold way. The procurement agencies are responsible for making the contracts in the first instance. Being in possession of all the facts they should settle the contracts upon their termination. It would be utterly absurd and ridiculous to create an expanded General Accounting Office for the purpose of conducting the investigations and studies on which to base settlements of contracts. The various Government contracting agencies already have their own auditing personnel. They made the contracts, and they are in possession of all the facts and conditions and are able, with their own organizations, to carry out the investigations and fix the terms of the settlements.

The bill would establish a director of contract settlement, to supervise the activities of the procurement agencies in connection with contract settlements and interim financing. Under the terms of the bill, the appropriate committees of the Senate and the House would maintain continuous surveillance over the operations of the procurement agencies. The bill expressly provides for reports to be made to the Congress from time to time during the progress of the settlement of contracts, so that the Congress will be constantly in touch with what is going on in regard to contract settlement. If it discovers that there is any wastefulness or neglect to carry out the purposes of the law to bring about speedy and prompt settlements, the Congress can enact additional legislation to cover the situation.

The bill also provides a system of interim financing for the holders of contracts, so that as a result of the termination of the contracts they may not be placed in a dangerous financial situation because of their inability to obtain prompt payment for their work. The bill has very carefully worded provisions in that respect, which were drafted in great detail in consultation with the various procurement offices and with the representatives of corporations having had experience in connection with terminated contracts. In that respect I believe that the bill in its present form is as carefully prepared as could be expected, and I am sure that it will prove satisfactory to the war agencies in carrying out the purposes intended.

The bill also undertakes to require the procurement agencies to give advance notice of contemplated terminations of contracts so as to facilitate the efficient use of materials, manpower, and facilities for war and for civilian purposes.

It also provides a method for the removal and storage of the materials which are left on hand, such as machinery and equipment which may no longer be needed in connection with war production.

The bill also provides that if not removed within 60 days, the contractor may remove and store such property at Government risk and expense.

The bill expressly removes personal financial liability of contracting officers,

a matter which is very important in connection with bringing about a speedy settlement of contracts. It seems to me that with \$14,000,000,000 worth of contracts already terminated, and with many thousands of small contractors involved, it would be a very serious situation for the country if we failed to provide a quick, fair, and equitable method of settlement of those claims, removal of the inventories on the floors of the contractors, and the removal of the machinery which they no longer need in order to allow them to convert to civilian production.

I believe the bill is very effective in that respect and will enable the contracting officers to make settlements, and place contractors in a position where they may quickly reconvert to civilian production.

The bill contains provisions for the preservation of records made in connection with those settlements so as to facilitate prosecutions for fraud wherever fraud may be discovered.

The bill also sets up very serious penalties for any violations of its provisions. I think that in every way the bill covers every feature that should be covered in a bill of this nature to enable contracts to be speedily settled permitting the concerns involved to return to civilian activities.

Mr. KILGORE. Mr. President, will the Senator yield so that I may ask him a question at this point?

Mr. MURRAY. I yield.

Mr. KILGORE. On page 72 of the bill, section 15 (a) provides as follows:

Whenever any payment is made from Government funds to any war contractor or other person as an advance, partial, or final payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher—

Here is the language to which I wish to invite attention—

shall be personally liable for such payment, in the absence of fraud on his part.

I ask the Senator from Montana if that language does not leave a loophole wide open for a defense, even in a case of gross negligence so long as there is no proof that personal gain was had by the officer? I am not talking about the contractor but about the man who negotiates and puts through the settlement in termination, namely, the representative of the Government. It must be realized that there will be literally thousands of such representatives of the Government. The Ordnance Department alone has about 19 different offices; the Signal Department has a great many; the Navy has under it the various naval districts, and the Quartermaster Corps has many different organizations. The settlements will be made in a particular locality by the agency involved. I am wondering if this proposal would not let the bars down so low that some person could carelessly or negligently, without checking,

act wrongfully in connection with the settlements. Would it not be better to use the language "fraud or negligence" or "fraud or gross negligence"?

Mr. MURRAY. I think the Senator from West Virginia has stated a reasonable apprehension. However, when the Senator considers the situation very carefully I believe he will find that a provision such as he has suggested would so slow up the process of settling the claims as to create a very serious condition throughout the country. Furthermore, the officer who is guilty of gross negligence can be disciplined under the present rules and regulations of the war agencies. He can be removed from office or be prosecuted.

Mr. KILGORE. Mr. President, allow me to invite the attention of the Senator to the fact that in the tool sale at Detroit the officer involved was promoted and transferred. In several other similar cases there have been promotions and transfers. So far, I have been unable to find any instance in which negligence was punished.

Mr. MURRAY. The case to which the Senator has referred was not in connection with the settlement of a contract; it was in connection with an entirely different situation. Furthermore, the Comptroller General has made no objection, such as the Senator raises here, to the language now in the bill. If the Comptroller General, who is vitally interested in protecting the Government from fraud, waste, or extravagance, thought that such a provision as the one suggested by the Senator from West Virginia was necessary, I am sure he would have insisted on it being incorporated in the bill. However, the Comptroller General knows that if such a provision were inserted in the bill at the place suggested by the Senator it would render the bill so impossible of accomplishing the purposes intended that we would have a real crisis in connection with the settlement of these claims.

Mr. KILGORE. Mr. President, the Senator misunderstood me. I invite his attention to the same page of the bill and specifically with regard to the language under the subheading "The General Accounting Office," which reads as follows:

Any other provision of law notwithstanding, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement—

Not whether they were based on the correct figures, but whether they were made in accordance with the terms of the settlement agreed upon, and—

(2) Whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud.

So the General Accounting Office apparently has nothing to do except check the amount of the check against the agreement, and with no authority to go behind the agreement to ascertain whether the representations made were

accurate, or whether the figures might have been erroneously handled.

Mr. MURRAY. The General Accounting Office has the function, however, of carrying on investigations to determine as to what extent anything like what the Senator has referred to occurred in the process of settling the claims, and to report to the Congress so that if it should be found that any glaring cases of gross negligence or carelessness, which would result in great loss to the Government, had occurred, additional legislation can be enacted to overcome such conditions. However, at the present time it is more important to have legislation, even though there may be some instances of losses through carelessness or negligence, which will make it possible to bring about speedy settlements. It has been found under existing laws and conditions that these contracts are piling up. As I mentioned a few moments ago, I recall the representative of the Stewart-Warner Co. coming to the Small Business Committee offices one day, with officers from the Navy Department, in connection with a contract that had been terminated nearly a year ago which the procurement officers were afraid to settle for fear that the General Accounting Office would hold them individually responsible for having paid money that they should not have paid.

If we are going to have a contract settlement bill at all, we have got to have one that is effective and efficient. We have never had in this country before a situation like that confronting us today. At the end of the last war there were only approximately \$4,000,000,000 in contracts terminated. We have already terminated \$14,000,000,000 worth of contracts, and, if the war in Europe were to end in a few weeks, we would have \$25,000,000,000 more added immediately. So, it can be readily seen what would happen if the country were to be confronted with that situation without legislation which would make it possible for the procurement agencies to carry out expeditious settlements of the various claims.

Mr. DAVIS. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. DAVIS. I presume the committee has given consideration in connection with the termination of war contracts to the great number of men who will be unemployed after they are terminated.

Mr. MURRAY. Certainly, that phase of the matter has been considered.

Mr. DAVIS. As has already been pointed out by the Senator from Michigan [Mr. VANDENBERG], the committee is going to consider the question of unemployment insurance and all related questions, especially those affecting the men returning from the war.

Mr. MURRAY. That is correct. The unemployment situation in connection with the termination of war contracts has not as yet developed to a sufficient extent to make it a serious problem. There has been some slight lessening in the numbers employed in war work during the past year, but it is not a serious question at the present time.

Mr. DAVIS. Referring to the discussion between the Senator from Montana and the Senator from West Virginia a few moments ago as to the Comptroller General, I presume the Comptroller General has considered and approved the pending legislation.

Mr. MURRAY. The Comptroller General has gone over the bill very carefully and takes the position that, if we must have contract-termination legislation in order to expedite the settlement of war-contract claims, this proposed legislation carries out that purpose as effectively as could be expected. I will ask that the statement of the Comptroller General be incorporated in the RECORD at this point, and I will read the concluding language as follows:

Finally, Mr. Warren ended his letter with the following statement:

"While as hereinbefore stated, I am still of the view that there should be an independent audit and review of proposed settlements prior to the making of final payments thereunder, nevertheless, I have no objections to offer to the bill S. 1718, except as hereinbefore noted, as it is believed that the provisions of the bill, if properly administered, are adequate to accomplish the announced objective thereof."

I ask that the entire statement of the Comptroller General be printed in the RECORD at this point, starting on page 11 and extending to the middle of page 12.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

VI. STATEMENT BY THE COMPTROLLER GENERAL

On February 15, 1944, the chairman of your War Contracts Subcommittee forwarded S. 1718 to the Honorable Lindsay Warren, the Comptroller General of the United States, and requested his comments on the bill. It was felt that the Comptroller's views on the bill were of great importance not only because he had previously raised the question of whether or not final settlements should be made by the General Accounting Office but because the Comptroller has always evidenced an interest in strengthening the legislative process and in preventing wasteful expenditures that might well serve as a shining example to be followed by other agencies of the Government.

On February 22, 1944, Mr. Warren replied to the chairman's letter, stressing "the need for enactment of appropriate legislation and the formulation by the Congress of the policy and procedure to be followed in the settlement and payment of obligations under war contracts which may be terminated. He also reiterated his belief that final settlements should be made "only after an audit and review of the proposed settlements by an independent agency. However, and especially in the absence of such a provision," stated Mr. Warren, "I am convinced that an independent agency should exercise effective control over the program and it is noted that the bill provides for an independent agency—the Office of Contract Settlement—clothed with supervisory and regulatory authority which should be effective, if properly exercised and administered, to control termination settlements and payments in the various war-contracting agencies and bring uniformity to the program."

Mr. Warren then suggested two amendments. The first amendment eliminates subsection (a) of section 23, which would authorize the Director of Contract Settlement to delegate any authority and discre-

tion conferred upon him to the head of any Government agency, and to authorize successive redelegation of such authority and discretion. Mr. Warren pointed out that this provision would allow the Director to delegate all his supervisory powers back to the contracting agencies. The second amendment clarifies section 16 on the role of the General Accounting Office. It eliminates the first sentence in this section and makes it clear that the operations of the General Accounting Office in detecting fraud depend on the adequacy of the records submitted to it. It also maintains the jurisdiction of the Comptroller General except to the extent such jurisdiction is limited by the act.

Both of these amendments are acceptable to your subcommittee.

Finally, Mr. Warren ended his letter with the following statement:

"While as hereinbefore stated, I am still of the view that there should be an independent audit and review of proposed settlements prior to the making of final payments thereunder, nevertheless, if the Congress, as a matter of public policy, should decide otherwise, I have no objections to offer to the bill S. 1718, except as hereinbefore noted, as it is believed that the provisions of the bill, if properly administered, are adequate to accomplish the announced objective thereof."

Mr. MURRAY. Mr. President, I do not think there is any doubt in the world with reference to the absolute necessity of this proposed legislation. The contracting agencies have all studied this bill; the committees that have been working on it have gone into it very carefully; the corporations to be affected by it have had their expert accountants and expert advisers study the bill, and it seems to meet with the general approval of the country. I do not know of any objection that has been urged to the bill as it is now pending before the Senate. There may be some need for clarifying amendments; there may be something that might be added to the bill in some respects, but, so far as the bill is concerned as now worded, it is designed to and will carry out the objective which is sought, and that is to avoid the piling up of contracts and the danger of creating widespread bankruptcy among war contractors because of their inability to get the money out of their contracts.

A question was raised in the early part of the debate with regard to the human problems connected with the subject of reconversion. Of course, as I have already stated, I believe that the human question is quite as vital and quite as important as the property question. The Senator from Georgia [Mr. GEORGE] and I are willing to go forward, as we have stated several times, with the preparation of the over-all legislation and with the study of proper measures to provide unemployment compensation in connection with this whole program. Certainly that must be done. It is absolutely necessary that we avoid any serious unemployment conditions developing during the progress of reconversion, and if some unemployment does develop we must be ready with an unemployment compensation system which will take care of the situation. I am confident that legislation of that kind can be prepared very quickly if we go to work at it when this bill is out of the way. The Military Affairs Subcommittee which is now studying

those subjects will continue its hearings, and I think with the cooperation of the Senate Post-War Planning Committee, we should be able to report some over-all legislation comprising the objectives which are set forth in the statement issued by the labor organizations demanding a fuller program of reconversion.

I think that that is all I have to say for the present.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from West Virginia [Mr. KILGORE].

Mr. KILGORE. Mr. President, with regard to the amendment I offered I have a few things I should like to say. The amendment does not in any way affect the provisions discussed by the able Senator from Montana, but goes to other phases of the demobilization problem. I should like briefly to call attention to that aspect of the amendment.

In the first place the amendment, in addition to provision for supervising contract termination, sets up a unified agency which will work simultaneously in directing the various agencies as to the four phases of the program. It includes planning, cut-back, and return to civil production. It also contemplates a planning agency for the return to civilian production by the companies whose contracts have been terminated, and provides for the settlement of the terminated contracts, and the training and retraining of displaced war workers and servicemen who come back to seek a place in our civilian economy. It provides unemployment compensation for released workers during the transition period in order to maintain our economy at a high level.

It also seeks to enlist the major groups of our population—industry, agriculture, and labor—in the work of reconversion and demobilization, by securing their active cooperation in the work of the top agencies, and by having them act as channels for the constructive organized efforts of these groups in the making of programs and policies for the transition to peace. In other words, it provides in the top bracket for an advisory committee, who shall represent not only the three groups I have mentioned, but also the consumer group, in the study of what is necessary properly to return from a war economy to a peace economy.

It sets up a program bureau within the over-all office, with a director of program planning, and a proper advisory council under him, which is tied up with the practical operation of the various war agencies seeking a gradual elimination of wartime governmental control, at the same time encouraging the development of local and regional as well as national programs to continue the momentum of the high wartime production.

My attention was forcefully called to that matter today by a letter I received from a man who is handling manpower in one of our largest centers, who stated that uncontrolled termination of contracts, without supervision and without planning, might cause chaos in certain localities, whereas the termination of contracts gradually, and the spreading of

termination Nation-wide by careful planning, would have a good effect. Let me give an illustration. The Ordnance Department decides to terminate a contract for gun mounts. Simultaneously the Signal Corps decides to terminate a contract for signal equipment, the Quartermaster Corps decides to terminate a contract they have for equipment, and the Navy terminates a contract for motors. Those 4 terminations could be spread Nation-wide if the matter were well planned, and 1 termination could take place in each of 4 localities, instead of taking place simultaneously in the same locality. If, instead of shutting down one big plant in each of four big centers, there should be shut down four big plants in one big center, possibly from 80,000 to 100,000 people would be made jobless immediately.

The orderly disposition of surplus Federal property is also taken into account, in accordance with general policies laid down by the Congress to safeguard the Public Treasury, to protect small business, and also to increase production employment, rather than leaving the disposal of surplus property to a host of executive agencies, without any policy directives from the Congress.

For instance, recently 5,500 tons of wood screws were offered for sale by one depot. Those are items vitally needed in the civilian economy right now. They would all be grabbed up, quite properly, and would find a place, a helpful place, in the civilian economy without disturbing production anywhere. But the advertising for sale in one bulk lot, by one agency of the Government, of 5,500 tons of wood screws, to be sold to one purchaser under a sealed bid, was an invitation to speculation and an invitation to profiteering at the expense of the civilian economy, and at the expense of the Government.

Another item taken up in the amendment is the question of job placement, training, and increased unemployment benefits, which are provided for mustered-out veterans and released civilian workers during the period of conversion.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. KILGORE. I yield.

Mr. BARKLEY. I have no information as to how long the Senator desires to pursue his argument on his amendment, but in view of the fact that there are other matters in the bill which might be disposed of this afternoon, I was wondering whether the Senator would be willing that action on the other matters be taken, and his amendment go over until tomorrow, with the understanding that the Senator have the floor when the Senate meets tomorrow.

Mr. KILGORE. With that understanding, I shall be glad to yield.

Mr. BARKLEY. I am sure that can be agreed to.

Mr. KILGORE. If it is agreed to, I am willing to have other matters taken up.

Mr. FERGUSON. Mr. President, if that is the understanding, I should like to move to strike out a certain provision which I think has been included in the bill by inadvertence. I refer to section

23, on page 86, beginning with line 12, where the bill provides:

Nothing in this act shall prevent the Director from exercising any authority conferred upon him by any other statute or Executive order.

It would appear that if we incorporated the words "or Executive order" in the bill it would permit the director to take any Executive order in the future, or one issued in the past, in preference to the provisions of the bill. As I understand, there is no objection to striking out that provision on page 86, lines 12 to 14.

Mr. MURRAY. Mr. President, I understand the Senator is asking to have stricken from the bill the language at the bottom of page 86, lines 22 to 24.

Mr. FERGUSON. No, lines 12 to 14, which read:

Nothing in this act shall prevent the Director from exercising any authority conferred upon him by any other statute or Executive order.

"Or Executive order" is the language which should be stricken out.

Mr. MURRAY. I have no objection to that language being stricken out.

Mr. GEORGE. I do not think there is any objection to that. I am rather inclined to think that language remained in the bill from the period when it was contemplated placing the Director of Contract Cancellation in the War Mobilization Board itself. Probably it is an explanatory statement. If not, I do not see any real purpose for it, and I see no objection to striking it out.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan [Mr. FERGUSON].

The amendment was agreed to.

Mr. MURRAY. Mr. President, after consulting with the Senator from Ohio [Mr. TAFT] I have come to the conclusion that there is a real need for a specific mandate to the Smaller War Plants Corporation to assist small business concerns in preparing themselves for termination, and to advise them on how to obtain interim financing and secure fair settlements. I would therefore like to propose on behalf of myself and the Senator from Ohio, an amendment to section 20 (f), to follow at the end of that subsection, after line 3, on page 84.

The PRESIDING OFFICER. The clerk will state the proposed amendment.

The CHIEF CLERK. On page 84, after line 3, it is proposed to insert the following:

The Smaller War Plants Corporation is hereby directed—

(a) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this act and the regulations of the director;

(b) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing; the effecting of termination settlements; and the removal and storage of termination inventories, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

Mr. MURRAY. The purpose of that amendment is to have the Smaller War Plants Corporation, through its personnel, assist small contractors in preparing their claims in connection with the settlement of their contracts, and also in connection with interim financing and other matters, where the small contractors are not equipped with the expert assistants necessary to handle problems of that kind. I see no reason why that should not be done.

Mr. MALONEY. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. MALONEY. I see no objection to that amendment, but does not the Smaller War Plants Corporation have all the authority that is suggested in the proposed amendment?

Mr. MURRAY. I do not think the Corporation would be required to do that work. It has the personnel and has the ability to do it, but I do not think it would be required to do it without the proposed legislation.

Mr. MALONEY. It is pretty generally being done now, is it not?

Mr. MURRAY. The Corporation may render assistance, but, of course, when contracts begin to be terminated in larger volume it may become necessary for the Smaller War Plants Corporation to put additional workers on that kind of work to assist the contractors in preparing their forms.

Mr. MALONEY. I ask this question for information: Does the Senator see wherein the proposed amendment in any way increases the power of the Smaller War Plants Corporation?

Mr. MURRAY. No; it does not.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. LANGER. Who prepares the applications at the present time?

Mr. MURRAY. Who prepares the applications for the small contractors?

Mr. LANGER. Yes.

Mr. MURRAY. They prepare them themselves, or receive assistance, perhaps, from the procurement agencies to some extent. I do not know to what extent. As a general rule, I think they have to hire a lawyer or an expert accountant, and it seems to me that with the trained personnel in the Smaller War Plants Corporation who are familiar with the problems it would be a simple matter for them to aid in working out these forms for the smaller concerns.

Mr. LANGER. I take it then it is not the intention in this amendment to set up a vast army of employees located in different areas of the United States to prepare the applications in different sections of the country. Is that correct?

Mr. MURRAY. No; there is no such intention.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Montana [Mr. MURRAY] and the Senator from Ohio [Mr. TAFT] on page 84 after line 3.

The amendment was agreed to.

Mr. KILGORE. Mr. President, I desire to offer an amendment to the committee amendment on page 69, line 9, by

striking out the words "by agreement with the other."

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 69, in line 9 of the committee amendment it is proposed to strike out the words "by agreement with the other."

Mr. KILGORE. Mr. President, my reason for suggesting the amendment is that the wording of the bill is misleading. In subsection (f) on page 69 we find these words:

Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them—

And then come the words which I propose to strike out by my amendment—by agreement with the other—

And then comes the following language—

may submit the dispute—

(1) to the Appeal Board in accordance with subsection (d) of this section;

(2) to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director.

In other words, by leaving in the words "either of them," either party is given the right to appeal, but by the wording as it now stands, without striking out the words "by agreement with the other," it means that appeal can be taken only by agreement between the parties who are in conflict.

Mr. MURRAY. That leaves both parties in the same position. It may be that the contractor would prefer to take his case to the courts and have his rights adjudicated by the courts, instead of taking the appeal. So that this provision was put in the measure expressly for the purpose of giving that privilege to the contractor—the right to go into court with his claim if he does not want to follow the procedure outlined in the bill with regard to appeals to the Board. The subcontractors should be free to sue if they want to do so in the State courts, as they normally would. Any provision allowing appeals by subcontractors without an agreement on the part of the prime contractors would be a one-way proposition. The prime contractor could not prevent the subcontractor from suing in the State court, even if the prime contractor was willing to go to the Appeal Board.

Mr. KILGORE. If that was the intent, Mr. President, it was misleading to me, because I thought from the wording as it now is that either of them could appeal. I cannot see why the wording "may by agreement" was not used here, as it is used in most laws.

Mr. GEORGE. Mr. President, may I make a statement in answer to the Senator from West Virginia? The Senator from Montana has made a very accurate statement of the purpose. A subcontractor who has not been recognized by the Government has no right to appeal to the Appeal Board. He has a right to go to a court. If the Government recognizes him he has an absolute right to appeal to the Appeal Board or go to court at his election.

But a subcontractor who has no contractual relation with the Government, and who has not been recognized by the

Government, can, by agreement with his prime contractor, say, "We will settle the whole thing by going to the Appeal Board". That is why the language "by agreement with the other" is placed in the measure. The Government does not have anything to do with the decision made by the subcontractor and the prime contractor in that respect. If by agreement they decide to go to the Appeal Board they can go to that Board. Of course if the subcontractor has been recognized by the Government he has a right to go to the Appeal Board anyway. But in the other situation, where the prime contractor could not compel the subcontractor to go before the Appeal Board, he might want to go into court, as the Senator from Montana has explained.

Mr. KILGORE. Is there any way the subcontractor can force the United States to recognize him in the event he feels that the prime contractor is not treating him fairly?

Mr. GEORGE. He can go into court.

Mr. KILGORE. He can go into court only against the prime contractor?

Mr. GEORGE. Yes.

Mr. KILGORE. The point is that it leaves to the Government a discretionary power. The Government agencies may recognize certain contractors, but if they elect not to recognize the subcontractors they can automatically exclude them, and force them into expensive litigation in the courts.

Mr. GEORGE. That is true, but if the subcontractor and the prime contractor agree, the subcontractor could go before the appeal board.

Mr. KILGORE. The point I am making is that if the Government does not recognize the subcontractor, and if the prime contractor insists on the agreement provided by the language of the committee amendment, there is no way by which the subcontractor can protect himself. He is at the mercy of the prime contractor.

Mr. MURRAY. Of course, there is every reason to expect that agreements will be reached between the prime contractors and the subcontractors, because the prime contractors will be assured that the Government will approve of settlements that are made through the appeal to the board, so that it seems to me there would be very few instances where there would be a failure to agree to the appeal.

Mr. KILGORE. I understand, but I have always found that in an eight-line mule team there was always one mule who would buck and balk and that is the reason for my amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment to the committee amendment offered by the Senator from West Virginia [Mr. KILGORE], on page 69, line 9.

The amendment to the amendment was rejected.

Mr. MURRAY. Mr. President, I have a few additional amendments to offer. They are in the nature of corrections. The first amendment I offer is on page 48, in line 9. The language "subsection (b)" should be changed to read "subsection (c)."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Montana.

The amendment was agreed to.

Mr. MURRAY. I offer a further amendment on page 53, in line 9. The word "and" should be changed to read "any."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Montana.

The amendment was agreed to.

Mr. MURRAY. Mr. President, that is all for the present.

Mr. LANGER. Mr. President, I should like to ask the chairman of the subcommittee a question. On page 69, in line 21, the bill reads:

For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than 10 auditors and not more than 20 commissioners in addition to those provided for by the act of February 24, 1925 * * *, as amended by the act of June 23, 1930.

Mr. MURRAY. The Court of Claims has 6 commissioners now, and the bill would authorize the appointment of not more than 20.

Mr. LANGER. Does the Senator say the Court of Claims has only six auditors at the present time?

Mr. MURRAY. The Court of Claims has no auditors. It has six commissioners.

Mr. LANGER. I notice that the language does not specify the amount of the salaries they are to receive. What salaries are to be paid them?

Mr. MURRAY. They will be paid in accordance with the salaries provided for in the act.

Mr. LANGER. What is that provision?

Mr. MURRAY. It is in accordance with the legislation governing the Court of Claims. I do not have the act before me at the moment. But the salaries paid will be in accordance with the existing law.

Mr. LANGER. Does the Senator happen to know what salaries the commissioners receive?

Mr. MURRAY. No. However, it is absolutely necessary to have these additional commissioners, in the face of the tremendous task which they will have to confront. The provision for the additional commissioners has been requested by the chief justice of the Court of Claims.

Mr. LANGER. I should like to know whether the additional commissioners are to be paid \$8,000 a year or \$10,000 a year, or just what salaries they will receive.

Mr. MURRAY. I think the commissioners do not receive any high salaries, but I am not familiar with the exact amounts paid them. Can the Senator from Georgia answer that question?

Mr. GEORGE. Is the question relative to the salaries paid to the commissioners of the Court of Claims?

Mr. MURRAY. Yes.

Mr. GEORGE. I do not recall. We can obtain that information in chapter 573 of 46 Statutes 799. But I do not recall the amount of the salaries they are paid.

Mr. MURRAY. I shall endeavor to find that out in a few moments.

Mr. GEORGE. I suggest that that information can be obtained between now and the morning, and can be furnished tomorrow to the Senator from North Dakota.

Mr. MURRAY. Mr. President, I think that concludes consideration of the bill.

Mr. BARKLEY. Mr. President, let me inquire whether that concludes consideration of the measure, with the exception of the information requested by the Senator from North Dakota?

Mr. MURRAY. Yes.

Mr. MURRAY subsequently said: Mr. President, in answer to the question raised by the Senator from North Dakota [Mr. LANGER] with reference to the salaries of United States commissioners, I wish to say that I now have before me the provisions of title 28, section 270, of the United States Code Annotated. It provides that—

Each of said commissioners shall devote all of his time to the duties of his office and receive a salary of \$5,000 per annum.

Mr. LANGER. I thank the Senator. INVESTIGATION OF SEIZURE OF MONTGOMERY WARD PLANT

Mr. BARKLEY. Mr. President, I understand that the Senator from Virginia [Mr. BYRD] wishes to have the Senate consider a resolution dealing with an investigation of the seizure of the Montgomery Ward plant. I have suggested some amendments which I understand are acceptable.

Mr. BYRD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Senate Resolution 286.

The PRESIDING OFFICER. The resolution will be read, for the information of the Senate.

The Chief Clerk read the resolution (S. Res. 286), as follows:

Resolved, That the Committee on the Judiciary, or any duly authorized subcommittee thereof, is authorized and directed to make a full and complete investigation of the action of the Attorney General of the United States in seizing the plant of Montgomery Ward & Co., in forcibly removing the chairman of its board of directors from the premises, and in the use of military force in connection therewith, with a view to ascertaining whether such action was warranted and authorized under the laws of the United States.

For the purpose of this investigation, the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-eighth Congress, to employ such clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee under this resolution, which shall not exceed \$1,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

Mr. TUNNELL. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. BARKLEY. Mr. President, let me say to the Senator from Delaware that I have suggested some amendments which I think will certainly obviate any objection which I had to consideration of the measure if the Senator is willing to have the amendments read. The Senator from Virginia [Mr. BYRD] and the Senator from Nevada [Mr. McCARRAN], chairman of the Committee on the Judiciary, have agreed that with these amendments there is no objection.

Mr. BYRD. Mr. President, I ask unanimous consent that the resolution be left in its present status, but that the author of the resolution, myself, be permitted to modify it by striking out all of the resolution beginning in line 10 on page 1, and continuing down to line 12 on page 2. My reason for making that request is that under the Senate rules a resolution asking for an appropriation for an investigation must be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. BARKLEY. Mr. President, is the part which the Senator from Virginia asks unanimous consent to have eliminated the part providing for an appropriation? I may state for the information of the Senator from Delaware and other Senators that my own view is that the Committee on the Judiciary already has ample jurisdiction to investigate not only the Montgomery Ward case but any other cases arising as a result of an Executive order or proclamation issued by the President. The committee is now proceeding to do so. But the Senator from Virginia has offered the resolution, and I have no objection to it, providing it is made to harmonize with the resolution heretofore offered and agreed to, and under which the Committee on the Judiciary is proceeding. Of course, I would be the last one to wish to have the investigation a one-sided or one-way one. In order that such a situation might be obviated, I had suggested that in line 2 of the resolution, after the word "thereof", the following be inserted:

For the information of the Senate, and as a basis for any legislation the committee may deem it advisable to recommend.

That language is the language of the original McCarran resolution.

The only reason for investigations by Senate committees is to furnish the Senate information which will operate as a basis for any legislation the committee may recommend.

I have also suggested that in line 7, after the word "therewith", the following language be inserted:

Together with a full and complete investigation of the facts regarding the policies, relationships, and controversies between Montgomery Ward & Co., and its employees prior to and leading up to the taking over of such plants by the Government of the United States through any of its agencies.

Consequently, Mr. President, under this resolution, the Committee on the Judiciary would not merely investigate the taking over of the plant by the military, but would also investigate the policies, controversies, and relationships between

Montgomery Ward & Co. and its employees, leading up to the taking over of the plant, so that the investigation would be a real investigation of the conditions leading up to the taking over of the plant, as well as an investigation of the actual taking over of the plant by the military.

In addition, I have suggested as a further amendment that on page 1, in line 7, beginning with the word "with", the language down to and including lines 8 and 9 be stricken out. That is the language which would instruct the committee to report as to the validity of the actual taking over of the plant by the military. That matter is one upon which only the courts can pass. I feel, and the chairman of the committee also has expressed the same view, that it is not the function of the committee to pass on the legality of the action, but that its function is to investigate the facts and bring them to the attention of the Senate.

I have no objection to that sort of an investigation. I think that is the type of investigation which already is authorized and is being conducted by the Committee on the Judiciary. But the suggested amendments make the resolution harmonize with the other one.

Mr. BYRD. Mr. President I wish to say that I have gone over the amendments carefully, and I have no objection to them.

Mr. WHITE. Mr. President, will the Senator from Kentucky yield to me?

Mr. BARKLEY. I shall yield to the Senator from Maine in a moment. I have already promised to yield to the Senator from Delaware.

Mr. TUNNELL. Mr. President, my objection is based on my understanding that the Committee on the Judiciary is going ahead with an investigation. Is the investigation provided for in the resolution a separate one?

Mr. BARKLEY. No, Mr. President; it is not a separate one. In fact, the Committee on the Judiciary already is engaged in that investigation, as I said a while ago. The committee has already proceeded, and has sent a man to Chicago. The resolution simply calls the attention of the Judiciary Committee to the Montgomery Ward case and authorizes it to make the same kind of investigation it is already making in regard to it.

Mr. TUNNELL. Does it simply authorize what it already has authority to do?

Mr. BARKLEY. What it has authority to do in general terms, but without reference to the particular company. That is true.

Mr. TUNNELL. I withdraw the objection.

Mr. WHITE. Mr. President, the Senator has spoken of another resolution, and an investigation and study under it. Does the Senator refer to the Shipstead resolution?

Mr. BARKLEY. Yes. It is the resolution which was adopted 3 or 4 weeks ago, authorizing the committee to investigate all Executive orders and proclamations issued by the President since March 4, 1933.

Mr. WHITE. The next question I wish to ask is whether the Shipstead resolution would authorize an inquiry into a situation which had arisen subsequent to the passage of the resolution.

Mr. BARKLEY. I think so. I believe that resolution is continuing authority on the part of the committee, not only as to proclamations and orders issued prior to that date, but those which may come along concurrently.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. BYRD. Mr. President, I should like to modify the resolution, beginning after line 9 on page 1, by eliminating lines 10, 11, and 12 on that page, and down to and including line 12 on page 2. As I explained, the purpose is to avoid referring the resolution, under the rules of the Senate, to the Committee to Audit and Control the Contingent Expenses of the Senate.

The PRESIDING OFFICER. The Senator has the right to modify his resolution.

Mr. BARKLEY. Mr. President, I offer an amendment, on page 1, line 2, after the word "thereof", to insert "for the information of the Senate, and as a basis for any legislation the committee may deem it advisable to recommend".

The PRESIDING OFFICER. The clerk will state the amendment.

The amendment was again stated.

Mr. BYRD. Mr. President, I believe that amendment strengthens the resolution, and I have no objection to it.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BARKLEY].

The amendment was agreed to.

Mr. BARKLEY. Mr. President, I offer another amendment, on page 1, line 7, after the word "therewith", to insert "together with a full and complete investigation of the facts regarding the policies, relationships, and controversies between Montgomery Ward & Co. and its employees prior to and leading up to the taking over of such plants by the Government of the United States through any of its agencies."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BARKLEY].

The amendment was agreed to.

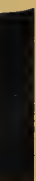
Mr. BARKLEY. Mr. President, I have another amendment to offer, on page 1, line 7, after the word "therewith", to strike out "with a view to ascertaining whether such action was warranted and authorized under the laws of the United States."

That language would seek to confer upon the committee jurisdiction to pass upon the validity and legality of the act of taking the plant, which is a matter for the courts and not for a committee of the Senate.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. BARKLEY].

The amendment was agreed to.

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DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued May 5, 1944, for actions of Thursday, May 4, 1944)

(For staff of the Department only)

CONTENTS

Animal diseases.....12	Food production.....19,20	Price control.....21
Appropriations.....3	Foreign relief.....3,9,18	Priorities.....22
Combined Food Board....16	Forestry.....5	Property requisition...15
Commodity Credit.....24	Imports.....12	Purchasing.....7
Cooperatives.....2	Inflation.....19	Rationing.....4
Electrification.....10	Irrigation.....10	Taxation.....1
Federal Farm Mortgage Corporation.....3	Land acquisition.....10	Transportation.....23
Food administration....25	Lands; public.....11	War mobilization.....14
Food distribution....4,17	Lend-lease.....3,6	Weed control.....13
	Loans, farm.....3,8	Wildlife conservation..10

NOTE: ORGANIC ACT OF 1944, H. R. 4278. If this bill is enacted, it is planned to distribute copies of the public law, through bureau budget offices, in the same quantities as specified in the regular departmental distribution list (which was prepared some time ago) for the 1945 Agricultural Appropriation Act. If these quantities of the proposed Organic Act will not be sufficient or could be reduced, it is suggested that the bureau budget officers advise the Legislative Reports and Service Section (Ext. 4654) immediately. After the initial distribution, it may be difficult to obtain additional copies of the Act, although this office will attempt to keep a small supply for emergency requests.

HOUSE

1. TAXATION. Continued general debate on the tax-simplification bill, H. R. 4646 (pp. 4093-116). Rep. Knutson, Minn., said the bill will help farmers by permitting them to qualify as such for tax purposes if 2/3 of their income is derived from farming (p. 4094). Miss Sumner, Ill., asked that relief be provided for farmers who filed returns too late, and Rep. Cooper, Tenn., stated that this is provided for under existing law and in the pending bill (p. 4099).
2. COOPERATIVES. Rep. Burdick, N. Dak., defended farmers' cooperatives and discussed "the story of the fight on Farmers Union Grain Terminal Co." (pp. 4116-21).
3. APPROPRIATIONS. Received from the President a supplemental appropriation estimate of \$378,000 for administrative expenses of the Federal Farm Mortgage Corporation (H. Doc. 570). To Appropriations Committee. (p. 4121.)
Received from the President a supplemental appropriation estimate of \$450,000,000 for UNRRA and a proposed provision authorizing disposition of lend-lease supplies, services, or funds in the amount of \$350,000,000 (H. Doc. 572). To Appropriations Committee. (p. 4121.)
4. FOOD RATIONING. Rep. Rowe, Ohio, indicated a belief that food rationing has been relaxed because this is election year (p. 4092).
5. FORESTRY. Agriculture Committee reported without amendment S. 1618, to amend several acts which authorize appropriation of receipts from certain national forests for the purchase of lands, to provide that any such receipts not appropriated or appropriated but not expended or obligated shall be disposed of in the same manner as other national-forest receipts (H. Rept. 1416) (p. 4122).

6. LEND-LEASE. Began debate on H. R. 4254, to extend the Lend-Lease Act for 1 year (pp. 4079-88). Agreed to Sen. McKellar's (Tenn.) motion to have the Appropriations Committee Investigators' report on lend-lease printed in the Record and as a S. Doc. (pp. 4082-88). Sen. Connally, Tex., announced that the bill will probably be voted upon today (p. 4080).
7. PURCHASING. Passed with amendments S. 1718, to provide for settlement of claims arising out of terminated war contracts (pp. 4072-5, 4077-8).
8. FARM LOANS. Received a Kans. Federation of National Farm Loan Associations' (Wichita, Kans.) resolution favoring a reduction of the rate of interest on Land Bank Commissioner loans to 4%, including new loans made by the Federal Farm Mortgage Corporation (p. 4068).
9. FOOD FOR EUROPE. Sen. Capper, Kans., inserted Howard Kershner's letter and statement urging the sending of food to Europe's children (pp. 4070-1).
10. WILDLIFE CONSERVATION. Received from the Western Assn. of State Game and Fish Commissioners several resolutions: (1) favoring the enactment of legislation to amend the Federal-Aid and Wildlife Restoration Act so as to remove present restrictions against the use of funds thereunder for maintenance and operation of projects completed under its provisions; (2) favoring certain regulations with reference to the migratory waterfowl season of 1944-45; (3) protesting against the acquirement by any Federal agency of additional lands in Western States except with specific approval of the State legislature with reservations of the right of public hunting, fishing, and trapping under State jurisdiction; and (4) relating to provision by the U.S. Reclamation Service of screens and other devices for the protection of fish in waters upon which irrigation, power, and industrial development projects have been or shall be constructed (pp. 4067-8).
11. PUBLIC LANDS. Received a Western Assn. of State Game and Fish Commissioners' resolution protesting against the creation by Executive order of the Jackson Hole Monument, Wyo., and favoring H.R. 2241, to rescind the order (pp. 4067-8).
12. MEAT IMPORTS. Received a Western Assn. of State Game and Fish Commissioners' resolution opposing any relaxation of the sanitary embargo on the importation of meat and meat products from countries where the food-and-mouth disease is epidemic (p. 4067).

BILLS INTRODUCED

13. WEED CONTROL. By Sen. Clark, Idaho, S. 1890, to provide for the general welfare by establishing a system of Federal benefits for the control and the eradication of noxious weeds; to conserve and protect the agricultural resources of the U.S.; to empower the Secretary of Agriculture to make certain rules and regulations and prescribe conditions and to raise revenue. To Agriculture and Forest Committee. (pp. 4069-70.)
14. WAR MOBILIZATION. By Sen. Kilgore, W.Va., S. 1893, to provide for the establishment of an Office of War Mobilization and Adjustment. To Military Affairs Committee. (p. 4070.)
15. PROPERTY REQUISITION. By Rep. Crawford, Mich., H.Con.Res. 83, expressing the intent of Congress in legislation relative to wartime seizure of property. To Judiciary Committee. (p. 4122.)

Congress and the American people so that all these children may receive food, even though it is too late to save the lives of many who could have been saved if we had adopted a less inhumane policy earlier in the war.

In this connection I ask unanimous consent to have printed in the RECORD at this point a letter and the accompanying statement, Save Europe's Children, I have just received from Howard E. Kershner, chairman of the Temporary Council on Food for Europe's Children, of which Herbert Hoover is a member.

There being no objection, the letter and statement were ordered to be printed in the RECORD, as follows:

TEMPORARY COUNCIL ON FOOD FOR
EUROPE'S CHILDREN,
New York, N. Y., April 29, 1944.
Senator ARTHUR CAPPER,
Washington, D. C.

DEAR SENATOR CAPPER: We are most grateful to every Member of the Senate and House for the unanimous passage of Senate Resolution 100 and House Resolution 221, both of which urge child feeding in Nazi-dominated Europe. Experience has shown how it can be done without aiding the enemy and with great benefit to our friends and allies who endure every form of torture to help us in the struggle against the common foe. Strategy and humanity unite in urging immediate action.

The vision and wisdom of the Senators and Congressmen in this instance show high statesmanship and encourages one to believe that free, intelligent democratic government will not perish from the earth.

In view of the unanimous action of both Houses of Congress and the overwhelming expression of public opinion, it is difficult to believe that action to save these children will be postponed. Evidence of public approval is also very strong in England, and the governments of the exiled countries continue their urgent pleas for their children.

The approach of invasion emphasizes the importance of sending food before communication becomes increasingly difficult. When we call upon our tortured allies for a last effort against the foe, we will want them to have the solid encouragement of a little food for their children—the most effective form of propaganda.

If the mercy ships with food from South America, Africa, and, if need be, a little of what we waste, are not started promptly we trust that you and your fellow Senators and Congressmen will find some way to implement the action already taken in the passage of the resolutions.

With congratulations and best wishes, I am,

Sincerely yours,
HOWARD E. KERSHNER.

SAVE EUROPE'S CHILDREN
(By Howard E. Kershner)

By unanimous vote on February 15, 1944, the United States Senate has asked the administration to send food to Europe's starving children.

On April 17, by unanimous action, the House of Representatives made the same request.

A Nation-wide Gallup poll on February 11, shows 3 votes for feeding to 1 opposed.

Most of the leading daily papers and periodicals of the United States have urged child feeding in strongly worded editorials.

Organized labor has demanded that the children be saved.

The Federal Council of the Churches of Christ in America has long supported child-feeding proposals.

The Catholic archbishops and bishops have urged it.

The Rabbinical Assembly of America has approved it.

Societies, lodges, clubs, organizations, and churches have passed innumerable resolutions of approval.

Hundreds of thousands have signed petitions.

Half a million or more have written letters to Washington urging the administration to take immediate action to save the children.

Almost every medium by which public opinion is gaged shows that an overwhelming majority of Americans want the children in Nazi-dominated Europe to be fed.

Support for child feeding in Europe is almost as impressive in Great Britain as in the United States.

Church leaders of all denominations led by the Archbishop of Canterbury have long pled for it. Labor leaders have urged it. Quantities of editorials have appeared in leading British publications. Many stirring speeches have been made in both Houses of Parliament demanding that food be sent to the children.

The governments in exile supported by their military leaders have pled that help be sent to their children. They are as anxious to win the war and drive the enemy out of their countries as we are. They would not ask for help if they believed it would prolong the war. They think it would promote our war effort. They are a part of the United Nations group. What right have Britain and America to ignore their opinions and their desperate pleas for their children?

Experience in Greece and France has shown that the children can be saved without aiding the enemy.

The Germans do not take any food going to Greece and did not take any of the food formerly sent to France.

The Germans did not reduce the ration cards of the children helped.

By requiring each child fed to consume its full portion of local food before it is given a supplement of imported food it is certain that no equivalent was left over as a result of these operations by which the Germans could profit even indirectly.

Not a single ship available for the war effort would be used. The food would go in neutral ships.

It would not cost the American people a single dollar. Norway, Holland, Belgium, and France—the only countries which can now be reached—have funds of their own, more than sufficient, to pay for the operation.

No food needed for ourselves would be used. According to a statement by War Food Administrator, Marvin Jones, we are still wasting several times as much food as it is proposed to send to these children. Sweden has asked permission to send food to Belgium and the Belgian Congo has done likewise. There is food in South America, especially Venezuela which has important quantities of cocoa and fish for sale. Spain has olive oil. Other surpluses are available.

Every month we send through the blockade about 50 pounds of food and other relief supplies to each British and American prisoner of war and civilian internee yet we deny a Norwegian, Belgian, Dutch, or French soldier fighting with our forces permission to use his own funds to send food to his starving wife and children at home. How can we send food through the blockade to our own but deny it to those who fight valiantly against the common enemy? Prisoners of war, whom we rightly feed, work in the German war effort yet we starve the children who could not possibly assist the war effort of the enemy.

Hitler knows he has lost this war but if we allow him to destroy the surrounding peoples he hopes for a better opportunity a generation hence. As quoted by William Philip Simms, General von Stulpnagel, Nazi commander in the Paris area, says:

"What does a temporary defeat matter if, through the destruction of people and mate-

rial wealth in enemy countries we are able to secure a margin of economic and demographic superiority even greater than before?"

And Marshal von Rundstedt says:

"One of our great mistakes in the First World War was to spare the lives of civilians in enemy countries. We Germans must number at least twice the population of our neighbors. Therefore we shall be compelled to destroy at least one-third of the population of all adjacent territories. We can best achieve this through systematic malnutrition—in the end far superior to machine guns * * * starvation works more effectively especially amongst the young."

We will win the war but lose the peace if we allow the peoples who share our ideals to be destroyed.

One way to defeat Hitler is to keep him from destroying the freedom-loving peoples of Europe.

If we do not do this our boys will fight the next war alone. The armies that would help us will not have been born or will be too subnormal mentally and physically to be effective.

Hitler boasts that the Nazis are a superior race. They are becoming so—those who eat are superior to those who starve. By feeding the children of those who fight for us we would give them courage and strength to fight harder and so shorten the war.

In the face of this accumulated evidence that the judgment and conscience of mankind wants these children saved it is certainly in order to ask, "Mr. President, what are we waiting for?"

The Constitution charges the President, through the State Department and as advised by the Senate with the responsibility for foreign affairs. Child feeding is a question of high policy. The President must meet the issue—he cannot avoid it by saying it is a military question. Even if it be such, the Constitution makes him our highest military authority and chief strategist. He is the Commander in Chief. He must decide. By doing nothing he is deciding the question in the negative but he is certainly not escaping the responsibility for having made that decision. If it be a military question why are are pleas of military men of the occupied countries ignored? Be it remembered that among those who have urged child feeding are Generals Pershing, Dawes, Disque, and Theodore Roosevelt, Jr.; Admirals Pratt and Byrd; Past Commanders of the American Legion Hayes, Murphy, and MacNider. The latter was also a former Assistant Secretary of War.

Neither can the President escape the responsibility by pointing to the objections of the British Government. Turkey did not take "no" for an answer in the case of Greece and started her relief ships with food across the Aegean Sea. Now the British, American, and Canadian Governments help in feeding the Greek people.

The United States is contributing a full share to the war effort. For 3 years we have acquiesced in British Government policy. One good turn deserves another and we have the right to ask Britain to consider our views on the matter especially when our views are also those of the occupied countries themselves and of a considerable part of the British people. The stakes are so large—a whole generation of children of the democratic nations of Europe—that we have no right longer to stultify our convictions and forsake our impressive record of humanitarian action.

Strategy and humanity both require that the children be fed. Mr. President, it is your move.

EVERY'S PRIVATE WAR—ARTICLE BY
MARQUIS CHILDS

[Mr. BARKLEY asked and obtained leave to have printed in the RECORD an article entitled "Every's Private War," written by

Marquis Childs and published in the Washington Post of May 4, 1944, which appears in the Appendix.]

AFTERMATH OF THE WAR—ADDRESS BY CHESTER BOWLES

[Mr. TUNNELL asked and obtained leave to have printed in the RECORD an address entitled "What Happens After the War," by Chester Bowles, Price Administrator, published by the International Latex Corporation, Dover, Del., which appears in the Appendix.]

HATERS OF THE PRESIDENT—EDITORIALS FROM PHILADELPHIA RECORD

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD an editorial entitled "They Hate the President Worse Than Hitler: No. 1," published in the Philadelphia Record of April 25, 1944, and an editorial entitled "They Hate the President Worse Than Hitler: No. 2," published in the Philadelphia Record of May 2, 1944, which appear in the Appendix.]

OPERATIONS AND METHODS OF O. P. A.—LETTER FROM JUDGE C. E. ENGER

[Mr. SHIPSTEAD asked and obtained leave to have printed in the RECORD a letter addressed to him by Clifford E. Enger, of Austin, Minn., president of the Minnesota Municipal Judges Association, relative to regulations and directives of O. P. A., which appears in the Appendix.]

FEEDING OF CHILDREN IN NAZI-DOMINATED EUROPE

[Mr. SHIPSTEAD asked and obtained leave to have printed in the RECORD a letter on the subject of the feeding of children in Nazi-dominated Europe, an address by Howard E. Kershner to Senators and Members of the House of Representatives, and also a letter addressed by Mr. Kershner to the President of the United States, which appear in the Appendix.]

SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS

The Senate resumed the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

THE VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. KILGORE], which the Chair understands has been stated.

Mr. KILGORE. Mr. President, I appreciated the arguments offered yesterday by the able Senator from Georgia [Mr. GEORGE], the able Senator from Michigan [Mr. VANDENBERG], and other Senators on the question of enacting legislation to terminate the war contracts speedily and expeditiously as the need for such termination arises. I feel that the entire Senate, in fact the entire Congress, realizes the need for an orderly demobilization of the resources of this Nation as soon as the war reaches the stage that will permit such a demobilization; but I cannot say, Mr. President, that I agree that we must pass in such haste, without complete consideration by the Members of this body, a bill that would turn sums of money over in contract termination payments to the owners of factories and plants that have operated to produce war materials without adequate planning as to the way in which the contracts shall be terminated and the order in which they shall be terminated.

It is a well-known fact that we do not have merely one plant making plane engines; we have great numbers of such plants, and these plants do not make complete engines, but under them are thousands of others making parts. We do not have merely one plant making planes. We have such plants scattered all over the country. The same is true of other forms of war material.

An ill-advised and ill-planned termination of contracts, without some central control to consider which plants can be terminated in the interest of the economy of the Nation and for the best interest of the people, may cause wholesale unemployment in one locality and a demand for labor in others. It may cause new wholesale migrations of defense workers, of which there has already been far too much. It may squeeze out the small man without taking care of his employees. It may terminate a contract with ample damages for the termination but with no assurance of reconversion of the plant to peacetime pursuits to employ any people whatsoever. Therefore, it is my present belief, as it has been my belief for some time, that if we consider merely one segment of the program of reconversion and leave out a central planning agency, leave out central direction, leave out central control, we will face just that situation, because, under the bill as framed, even the contracts are not terminated by any central authority. There is no agency in Washington that tells the Government departments and agencies how they shall allocate the terminations.

The War Department alone in its Services of Supply has seven different procurement agencies. These, in turn, are divided into districts, and each district headquarters will arrange its own terminations, just as it has its own contract service.

Up to the present time, one of the most severe criticisms we have encountered in the conduct of procurement has been ill-advised contract placements. I well remember one city in my State which is a perfect example. It is a small city and, strange to say, although West Virginia does not have 1 inch of coast line, ocean-going ships have been built in that city. The Navy suddenly decided to double, in fact, almost treble, the shipbuilding facilities of that small city, and without conference with the Navy, the Army decided to put in a munitions plant there. The city was overcrowded. Some 3,000 additional houses were built, and then, all of a sudden, both contracts were terminated simultaneously. The increased work for the shipyard was stopped, and the munitions factory was shut down. The shutting down of one of them would not have hurt the city so much, but the shutting down of two of them almost wrecked the economy of that city. The same thing can happen on a larger scale in other places. For instance, if all the airplane contracts in Los Angeles should be terminated simultaneously, the domestic economy of Los Angeles would be very nearly wrecked. But consider what would happen if at

the same time the Maritime Commission should terminate the shipyard contracts there. With no planning for conversion, this could happen.

The purpose of my amendment is to take care of this situation. The first thing this Government needs is centralized control of these terminations. It is not possible, with safety to the Nation, to terminate a contract for the building of ships merely by paying damages to the plant owner, and by storing the machinery which he does not need, and taking out the partially finished material from the plant. There is other material in the plant, human material, material which must have some way of getting to other work, or some way of living until other work can be procured. Contract termination cannot be complete until all facilities of the plant are measured, and adequate arrangements made for the disposal and the handling of those facilities, including the human beings who have been working in the plant.

For that reason, title I of my proposed amendment sets up a central over-all agency, sets up an administrator of mobilization and conversion for peace, giving to him an advisory board representing all segments of our economic structure so that he will not be without advice from the people. Even the consumer is included in that set-up.

In my amendment there is also provision for a planned program of reconversion and termination, so that the plants are not to be closed without consideration of the effect on the domestic economy. All the contracts are not to be terminated in one locality simultaneously, so that the roads leading from that locality will be filled with people with their worldly possessions in push carts as soon as the money they have saved is spent.

We know that the war is not over. In fact, it is just going into its most serious stage. But unfortunately war has changed. Material that was badly needed last week has become obsolete. Plants which made it must be converted to making other material. Therefore we must now go into the matter of planning the orderly conversion of this vast war industry we have built up into a peacetime industry.

Only recently we sought to get some more automobiles, and the plants naturally did not want to proceed with part-time production, quite logically, and declined to go into automobile production until they were permitted to go into full automobile production. The fact that we needed even part-time automobile production was plain evidence as to the need of the civilian economy for the civilian products.

Conversion, if properly planned, if properly organized, if properly worked out, can be handled in the interests of the entire Nation.

There is much talk of future unemployment. There is no need for unemployment after the war if the civilian economy is adequately taken care of and if the conversion is planned. We must not permit individual planners to proceed, each planning in his own way, without a central plan, as we are con-

sidering now permitting a great number, probably three or four thousand, to terminate contracts by payment of liquidated damages for the termination, by removal of unfinished products, and by removal and storage of machinery, without taking care of the needs of the human part of the plant. The man who operates a machine is just as much a part of the plant as the machine he operates, just as much as the walls and the roof of the plant, because without him the plant cannot exist. If we terminate without planning for him, without a central plan for the entire program, we will have a termination which will lead us into the chaos we are seeking to avoid.

Yesterday it was urged that these contracts must be terminated in order that labor might not be without jobs, but I ask, what provision do we have that guarantees that the termination money will be used to keep the plants running on a converted status? We have nothing except the satisfaction of, let us say, liquidated damages for the breach of a contract by us, which breach is made necessary in the public welfare. There is no guarantee, when we terminate a contract under the existing bill as amended, that the plant which will go into civilian industry will produce anything.

Legislation hastily passed usually brings headaches. As was said yesterday, when an effort is made to get a bill involving some fifty billion or sixty billion dollars through a legislative body, with only a few hours, at the most, to study its probable effects, it may be expected to engender a headache.

The pending bill has been held up as guaranteeing to small business the right to continue operations, as helping them with the termination of their contracts. Yet in the bill itself there is denied to them the right to appeal unless the Government grants that right or takes the business over, and that is at the discretion of the man who terminates the contract.

So, as we now stand, we have a termination bill before the Senate whose sole purpose is to permit the speedy termination and liquidation of the assets of the prime contractors, to permit them to liquidate with their subcontractors, or the Government may assume responsibility, relieve the prime contractor of his liabilities to his subcontractors, and proceed to liquidate the claims itself.

There is not a single provision in the bill which would compel anyone to convert to production if he did not wish to, even if he felt it was not appropriate for him. There is not a single provision in the bill providing any method of allocating the termination, any method of deciding whether an airplane plant in one town shall be discontinued and in another town another plant shall continue, whether an engine factory in one town shall be discontinued, and not in another town.

We had an illustration of that in the case of a plant which formerly had been making radio tubes, a company which had two plants, one in one State and one in another. The company decided not to make any more tubes in the

plant in one State. They did not decide to convert the plant, although the other plant they owned was in a highly congested No. 1 manpower area.

Instead they decided to force the movement of some 700 employees from an uncrowded area into a crowded area, rather than move a few carloads of machinery from a crowded area into an uncrowded area where they could take better care of their employees, and in fact to produce a radio tube more cheaply than it could have been produced in the crowded area. Wage rates in the crowded area were high; living costs were much higher; it was impossible to find room. It took some 2 months to convince that corporation that it was more economical to move a little machinery than it was to force a migration of 700 individuals.

With central direction and control the question of surplus property, the disposal of the surpluses in the contracted plants, the disposal of the manpower, can all be considered when the decisions are reached as to which plants shall be discontinued. Without centralized control each separate bureau will decide what plants it wants to terminate, and its officials in the field will decide that termination. If they suddenly decide that, shall we say, Chicago is not a desirable site for a plant producing for the Navy, they will terminate its contract.

At the same time the air service may decide that it will shut down on engine plant there, the ordnance department may shut down a plant which makes gun mounts, and the Quartermaster Corps may shut down some plant which is making uniforms. What will be the result? We simply will have turmoil in Chicago, with people trying to find a way to get out. The plants are shut down. The contractor in each plant has been satisfied. He has been paid his liquidated damages. His plant is in the process of being cleared; money has been paid to take care of the clearing of that plant, but due to the lack of centralized control there is chaos in the community.

Mr. President, it seems to me that with the experience of the past to guide us, we would do well, before passing legislation on the subject, to establish adequate controls, to set up a central agency. We know how hard it is to superimpose the controls after an agency is established. We know that difficulty in business, in government, and everywhere else, because we are a highly competitive nation, a nation which lives and moves and has its being by competition. We are proud of our individual accomplishments. We are proud of our companies and of our plants. With this highly competitive life that we lead, and with those in Government agencies following the same trend that the same kind of people in business follow, it is very likely that we will get a disjointed and poorly balanced process of terminating contracts without study being made of national needs, without a carefully prepared program based upon full knowledge. It is absolutely necessary in the passage of termination-of-contract legislation, first to set up central authority to coordinate

the activities of the entire demobilization, or mobilization and conversion picture, in the form of an administrator of mobilization and conversion. Second, to give to that administrator the advice and the experience of representatives of all phases of our economy in the form of an advisory committee. Third, to furnish him with a planning agency which can study these matters and advise him as to a national plan, not the plans of individual departments and agencies, but on one plan—one plan which is Nationwide in scope. Unless we establish a planning agency and create an over-all director of demobilization, when we set up termination machinery, there is the danger of confusion arising from the existence of many plans.

My amendment does not in any way amend or seek to change the terms of termination in the bill which was introduced by the Senator from Montana [Mr. MURRAY] and the Senator from Georgia [Mr. GEORGE]. It adds to it additional titles, titles which I feel are vital to the proper operation of the bill. They are not items in conflict with the bill, they are not items which detract from it, but rather they add to it.

For that reason, Mr. President, I strongly feel the Senate should seriously consider the amendment, that the Senate should look at termination not as a mere satisfaction of, shall we say, plant ownership, which is what the pending bill does, not simply to satisfy the financial needs of the plant owners, not simply to get rid of contracts which have been entered into and which the changing stages of war have made unnecessary, or which peace will totally wipe out.

Senators will remember that after the last war we had a very small problem of termination, but it waxed rather large in the public eye because of some of the ways in which it was handled by divergent groups and divergent agencies. This time the problem is much more vast. Where after the last war a small sum was involved, the proponents of the pending termination-of-contracts bill insist that at this time it will run into \$50,000,000,000 or \$60,000,000,000.

Fifty billion dollars or sixty billion dollars of the taxpayers' money properly used and properly safeguarded and properly planned for will maintain the economy of the United States, will wipe out the necessity of relief which may otherwise have to go to people who will be thrown out of jobs. It will result in a proper replacement of our population where that population belongs, and proper return of the individuals to the place where their best efforts can be used in building up and reestablishing the competitive economy of the United States, of which we have been so proud. It will assist in bringing back those who have been forced by the needs of our production to leave their homes and go into congested areas.

In brief, Mr. President, my amendment, in title I, sets forth the objectives. It gives to the Director the necessary power to meet his problems. It provides for other officers, the contract settlement or termination directors, the program planning directors, and fixes their

powers. If we adopt the amendment we shall have a planned demobilization. If we fail to adopt the amendment we shall go into an unplanned contract termination, we shall go into a situation which we have no assurance will provide, in the shortest possible time, the needed civilian articles which our people are crying for, because there are no guaranties provided. We enter upon a program under which we may have vast unemployment in certain sections, and enforced migration to other sections where employment may be sought, but with no assurances that employment may be had.

Senators ask why this matter is so urgent at the present time. The Senator from Rhode Island [Mr. GREEN] yesterday very ably called the attention of the Senate to one matter which I wish to stress a little in closing. Yesterday when I asked that action on the bill be delayed until next week to afford an opportunity to study the various phases of the bill and the subject, and to study the amendments, it was urged that unless the bill were taken up and passed immediately, it would be impossible to pass it later, because of the legislative calendar. At the same time it was stated also that all the things about which I am talking would be taken up immediately after the passage of the bill. If it is impossible, because of the legislative calendar, to take any more time for the consideration of those matters, the only conclusion I can draw is that the proponents now seek only contract termination this year, with no centralized control, no planning, no program, but merely the handing out of money to prime contractors who have already made fixed fees for contracts, many of them operating Government plants.

Therefore, if we are to take the arguments adduced yesterday, and if we are to consider them as sound, the only purpose right now is this: "Let us get the money for the prime contractors, and then let us wait until next year"—if the arguments are correct—"before we take care of any planning"—but after it had become too late to plan.

We cannot plan a battle after it is fought. We cannot plan a national program after chaos has resulted from the lack of planning. The planning must be done in advance. The controls must be set up in advance. We must provide in advance for the centralized handling. Various phases of the program might produce chaos, if there were lack of planning to handle the situation in the proper way. But with proper handling, if we would just permit that to be done—and it would take only a short time to bring that about, if everyone would cooperate—we would have that system functioning for the best interests of the national economy.

To state the matter in terms of an experience which many of us have had, I ask whether we shall retain 3,000 or 4,000 counsel to settle our contractual differences, or whether we shall compromise our losses with the prime contractors, each on his own basis, without providing for anything else. If we do so, then "termination" becomes only the pay-

ment of liquidated damages for breach of contract. But as "termination" has been held up to the people of the country and to the small businessmen—and I have heard the small businessman spoken of a great deal—it is not merely the liquidation of damages but it is the conversion of a war industry into a peace industry, as the changing steps of war permit. It is the gradual conversion of our population from a war economy to a peace economy—not in great jumps and jerks, spotted all over the country, not with a tremendous amount of suffering involved, not with the turning back into unskilled labor, with no opportunity for training, of workers who have been partially trained in industry on repetitive work, not by merely disposing of a lot of products, but by planned progression carefully worked out, by converting each plant or its workers as its products become obsolescent or unnecessary to some other phase of the war effort.

That is the purpose of the amendment. In other words, the purpose of the amendment is to make the termination a complete one, not a liquidation of damages for breach of contract.

Mr. President, at this time I should like to read into the RECORD the following release which shows the interest of the farmers in the proposed amendment. The release was issued by the National Farmers Union. The heading reads as follows:

The following telegram has been sent by the National Farmers Union, President James G. Patton, in support of the Kilgore amendment (S. 1823) to the Murray-George contract termination bill (S. 1718).

The release then lists the Senators to whom the telegram has been sent. The list includes a large part of the membership of the Senate.

The telegram is as follows:

Strongly urge you to support amendment to contract termination bill (S. 1718) incorporating amended Kilgore bill (S. 1823). We, concurring with three labor organizations, feel that enactment of contract termination alone will make much more difficult consideration and acceptance of other vital phases of conversion from wartime production for abundance to peacetime production for abundance. Three phases, contract termination, conversion including the use of Government-owned war plants, facilities, and materials, and unemployment compensation for veterans and civilian workers should be dealt with in a single bill.

Working farm families can have markets for their products at fair prices only if we as a people fully use all human and material resources to achieve full employment and full consumption. The issue is production for abundance and peace, under a publicly sanctioned program, or production for scarcity, privately arranged and publicly policed. We urge you to vote for the Kilgore amendment which will provide a beginning in production for abundance with less regimentation than would be necessary to maintain scarcity with chronic unemployment and a heavy relief load that would sap our strength as taxpayers, producers, and consumers.

JAMES G. PATTON,
President, National Farmers Union.

Mr. President, this telegram has come from an organization which is not seeking unemployment compensation for its

workers. It is endeavoring to make sure that the national economy is kept in balance, in order that the farmers may sell their products. Their product is food. Their interest is in the sale of food to the American people. They well remember the days when the farmers of the Middle West were burning grain. At that time the coal miners of my State could not mine coal because the western farmers who could not sell their grain had no money with which to buy coal. Consequently, when the miners could not mine the coal, they were unable to buy grain to eat.

The telegram comes from a farmers' organization which asks for nothing except a balanced economy in this country, and which believes that mere contract termination will not be enough. That organization knows, as was patently shown yesterday, that if the legislative program is as has been stated by the proponents of the bill, it probably will be impossible to get any of these matters handled until next year. It realizes that by that time the situation will be so badly out of balance that the farmers—and I mean by that the dirt farmers; they are the ones who really produce—will find it impossible to operate properly.

I should like to read into the RECORD an item published in Labor's Monthly Survey, of the American Federation of Labor, for May 1944:

A. F. OF L. ENDORSES PRINCIPLES OF KILGORE BILL

Provision for the interests of business is an urgent need. But we consider that human rights are more important than property rights. We believe that the future of this country and of the world depends on human beings and on their welfare. For these reasons the A. F. of L. has endorsed the general principles of the Kilgore bill, S. 1823, the only bill which provides for the needs of all groups in the economy and which makes it possible for these groups jointly to function in a coordinated effort for full production and employment. It is the only bill which implements the A. F. of L. policies as outlined in the A. F. of L. post-war plan. It is based on an understanding that neither industry nor agriculture can survive without the sustained purchasing power of workers fully employed at adequate wages; that those who are willing and able to work are entitled to jobs at adequate wages, or if unemployed through no fault of theirs, they are entitled to adequate unemployment compensation for the period of the emergency; that they are entitled to payment of transportation for themselves and their dependents to new jobs; that they should have opportunities for further education or retraining. The bill further provides for the needs of industry in the disposition of Government-owned goods and plants, policies regarding cutbacks and priorities for the allocation of materials with special emphasis on the interests of small business.

The bill creates an office of war mobilization and adjustment to coordinate all Federal activities with a view to maximum war mobilization and full production and employment now, during the reconversion and in peacetime. It provides for a director and for a national production-employment board consisting of representatives of industry, labor, agriculture, and the consuming public. It also establishes joint industry-labor councils for particular industries and areas, which are to be set up by the director in consultation with the board. Officials of the office and other Federal officials concerned with war mobilization and post-war adjust-

ment are to consult regularly with the board and with the industry-labor councils. If the features of this bill are incorporated in the Murray bill, S. 1718, there will be balanced protection for all.

We anticipate that with the best of plans, there will be at least 11,000,000 unemployed during the reconversion period. The length of time of their unemployment will depend on the speed of reconversion and will vary from a few weeks to many months. Many workers are in congested war areas where there will be no post-war jobs for them. They will need information as to available jobs, possibly retraining, and funds to pay their transportation costs to their new jobs.

It is a national responsibility to take care of a national emergency. Neither the State unemployment compensation laws nor the present United States Employment Service are adequate now to handle the gigantic task ahead in helping workers to find jobs or to tide them over the period of unemployment. We are, therefore, urging: (1) A national employment service; (2) Emergency unemployment compensation for 2 years and a national system thereafter. We point out that our armed forces are not professional soldiers but returning civilian workers. We urge that their demobilization be timed so they can get jobs at once.

The phase of transportation alone is of vital importance in contract termination. When a plant employing 20,000 workers is closed, the services of the workers may be badly needed elsewhere. If they could be picked up by the Employment Service and taken to a new job and put to work, that would be far better than having them remain and stagnate in the town where the original plant was located, hoping against hope and listening to rumors from day to day to the effect that the plant is to resume operations tomorrow. Without planning, that is the very thing we shall be up against.

With all these considerations in view, I believe it is incumbent upon the Senate to study carefully this amendment and the necessity for establishing over-all controls which are so necessary to handling contract terminations. I strongly urge the Senate seriously to consider the amendment to Senate bill 1718, and, if possible, let us put through the entire bill. Let us take care of the over-all plan, and not merely seek to pay liquidated damages to plant owners.

Mr. KILGORE subsequently said: Mr. President, I ask unanimous consent to have added to the remarks I made a short time ago the statement which I send to the desk, made by the Senator from Missouri [Mr. TRUMAN], on the subject about which I spoke.

There being no objection, the statement was ordered to be printed in the Record as follows:

The so-called Murray-George bill is now before the Senate. It provides for the settlement of claims arising from terminated war contracts and for speeding reconversion of war production to civilian production as war conditions permit. I am glad that this measure is now before the Senate, because I believe that it is essential that the question of contract termination be thoroughly discussed and promptly acted upon. Intelligent consideration and speedy action are imperative if the job of reconversion is to be accomplished without seriously injuring our complicated economic system. Only by such an approach can we breach the gap between maximum war production and employment,

and full employment and production in the post-war world.

We know that the period between the cancellation of war contracts and the full resumption of civilian activities will be a most difficult one. But we also know that the resources of this country in materials, manpower, plant facilities, and purchasing power are sufficient to create and sustain an economy of a higher and better type than that which we enjoyed before the war. However, we can only create prosperity if we are equal to the tasks that confront us.

The return to peacetime operations will require many adjustments. Many of these will have to be determined by the Congress, and the task of the Government will be to determine the standards by which business is to operate in such a way that businessmen will know where they stand. Much, too, will depend upon the courage and ability of leadership in labor. The great gains which labor has made must not be imperiled. In this connection, our outstanding labor leaders have voiced their opposition to piecemeal legislation to handle the problems of reconversion, with priority given to property legislation. These leaders have outlined their own program to protect war workers against unemployment during demobilization. Such protection is vital to the welfare of the Nation.

Many millions are engaged in manufacturing and mining operations. Any failure to provide work for even a small fraction of these will have the most serious consequences if it should continue for any appreciable period. Congress must determine that the aftermath of this war shall not be a depression in which our returning soldiers and our war workers will be without employment.

In studying and discussing the Murray-George bill, I strongly urge my colleagues to proceed at once to consider and pass comprehensive legislation dealing with our important national production and employment problems in the transition from war to peace.

BOARD OF VISITORS, UNITED STATES MERCHANT MARINE ACADEMY

The PRESIDING OFFICER (Mr. TUNNELL in the chair) laid before the Senate the amendment of the House of Representatives to the joint resolution (S. J. Res. 77), to establish a Board of Visitors for the United States Merchant Marine Academy, which was to strike out all after the enacting clause and insert:

That there shall be appointed in the month immediately following the enactment of this act and in January of each year thereafter, a Board of Visitors to visit the United States Merchant Marine Academy, which shall consist of two Senators and three Members of the House of Representatives, appointed by the chairman of the committees of the Senate and the House of Representatives, respectively, having cognizance of legislation pertaining to the United States Merchant Marine Academy, the chairmen of said committees being ex officio members of the Board, and of one Senator and two Members of the House of Representatives appointed by the President of the Senate and the Speaker of the House of Representatives, respectively: *Provided*, That whenever a member or an ex officio member is unable to attend the annual meeting as provided in paragraph (b) of this section another member may be appointed in his stead in the manner as herein provided but without restriction as to month of appointment.

(b) Such Board shall visit the United States Merchant Marine Academy annually on a date to be fixed by the Chairman of the United States Maritime Commission. Each member of the Board shall be reimbursed under Government travel regulations for the actual expense incurred by him while engaged upon duties as a member of such Board.

Mr. BAILEY. Mr. President, I move that the Senate concur in the House amendment. The difference between the Senate action and the House action is very slight. The object is to establish a Board of Visitors for the United States Merchant Marine Academy, and that object would be accomplished by the House amendment. The difference relates entirely to the number to be appointed. As passed by the Senate, the joint resolution provided for the appointment of four Senators, in addition to the chairman of the Committee on Commerce of the Senate, the four Senators to be designated by the chairman of the Senate Committee on Commerce. The House amendment provides for the appointment of two Senators by the chairman of the Committee on Commerce and one by the Vice President, with a similar method of appointing Members from the House.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from North Carolina.

The motion was agreed to.

SEIZURE OF MONTGOMERY WARD PLANT

Mr. HAWKES. Mr. President, in discussing the seizure of Montgomery Ward & Co.'s business by the Federal Government, I wish to state that I fully concur in and endorse the statements made by the junior Senator from Illinois [Mr. Brooks], in his speech before the United States Senate last Tuesday, May 2.

The Montgomery Ward seizure by the Government simply focuses the attention of the people on the great issue which, in my opinion, involves the very essence of constitutional guaranties of American liberty.

I sat on the National War Labor Board as one of the original appointees of President Roosevelt, and served for a number of months as an industry member of that Board. I can say without qualification that every industry member on that Board, then and since, has recognized that the successful prosecution of the war to victory is the one outstanding objective of all patriotic Americans.

I was opposed to enforced maintenance of union membership then, as I am now, on the ground that there is nothing in the law which gives any Government agency the right to force a man to stay in a union, continue as a member, pay dues and assessments which are oftentimes levied in arbitrary fashion, and to do all this as a condition precedent to his having the right to work and earn a living.

The honest, patriotic American working men and women are vitally and unfavorably affected by such an order as that issued in the Montgomery Ward case, which is an infringement and destruction of their constitutional rights as free Americans.

The working people of this Nation should realize that the same bayonets that are used at the direction of the Chief Executive illegally to seize private property can now or at another time be used to seize the property of the unions, the officials of the unions, and even to herd the working people of the Nation into submission to the will of some man

or Government agency, contrary to the rights guaranteed by the Constitution of the United States to all citizens of the Republic.

The President himself said, when he failed successfully to solve the coal strike situation, "You cannot mine coal with bayonets." I invite attention to the fact that a business cannot be successfully conducted with bayonets.

To my mind the whole Montgomery Ward issue has been much beclouded in discussing what maintenance of union membership means, and to becloud the issue further there has been injected the point that when the National War Labor Board issues an order for maintenance of union membership it gives a 15-day so-called escape clause, which permits any member of the union at that time to withdraw within 15 days without losing his right to work.

I ask any American who knows anything about the operations of organized labor unions, if he were in the union and the Government became more or less the partner of the union in organizing and forcing membership upon the working people, would he feel safe in going to and coming from his work if he availed himself of this 15-day escape clause?

If he does not know the answer, let him ask any honest American workingman who has faced this situation, and he will explain that it would be a most uncomfortable, if not a dangerous, procedure. Let him ask the workingman's family, who sit up nights waiting for him to come home. I know whereof I speak because I have received letters from wives and daughters of workingmen who have tried this process of freeing themselves from membership in the union.

The real issue in this case is that the administration wished to impose its will upon Montgomery Ward, and I believe any fair-minded American who will analyze the facts will agree that this is so.

Back in November 1943, when the Montgomery Ward collective-bargaining contract was about to expire, the National War Labor Board, by the simple raising of a hand, could have arranged for an election involving only a few thousand employees at Chicago. That election could have been held, and within a very few days it could have been definitely known and determined whether the C. I. O., serving as collective-bargaining agent, was supported by a majority of the employees of Montgomery Ward & Co. in accord with the requirements under the law.

The whole case is as simple as that, regardless of the various issues thrown into it by the National War Labor Board, the Attorney General, or any other Government agency.

Mr. Avery and his associates were clearly within their rights in asking for an election to determine the correct bargaining agency under the law. If they had substantial reason to doubt that the C. I. O. held a majority of the employees in its membership, they were clearly bound by duty under the law to determine the fact.

No employer has the right, under the law, to bargain with any minority group

regarding wages, hours, and conditions of employment for all his employees.

The people of the United States are not interested in the complicated issues involved in this case, but they want to know that their Government is not becoming the partner of either labor or capital when there is a dispute between them.

The people want to know that we are not creating dictatorship at home while we are sending millions of our men abroad to destroy it.

The people realize that the principle involved in this case can easily lead to invoking the same principle against the smallest business in the United States if it suits the will of those who seek to intimidate the American people into submission.

The people want to know that our Government agencies are interested in settling disputes rather than creating quarrels which lead to disunity at a time when we need absolute unity in order to win the war.

They want to know that when the Government can settle a case, such as the Montgomery Ward case, by one simple order to hold an election, it will be done.

The people also want to know that Congress will review the powers which have been given to the Chief Executive in the interest of the successful prosecution of the war. If Congress finds that it has given power which validates such an act as took place in Chicago in the use of the Army to seize private property, rather than resort to the due process of law prescribed by the Constitution of the United States, then Congress will pass a clear, unmistakable law which will preserve constitutional guarantees in such a way as not to interfere with the successful winning of the war.

For this reason I was strongly in favor of and supported the resolution offered by the able and distinguished junior Senator from Virginia [Mr. BYRD], which calls for a full and complete investigation of the whole situation with the expectation that the Congress will correct any excess grant of powers which it may have given.

I hope the Chief Executive of this Nation and other agencies of government will recognize that the Constitution of the United States is what the American people are fighting to preserve and that it is the duty of each of us to settle, in an American and legal way, promptly and amicably, differences that may arise.

We must avoid the creation of unnecessary quarrels and disturbances. Both labor and ownership should remember that voluntary cooperation is the foundation of Americanism and that victories obtained today through the use of unfair methods may turn out to be the disastrous defeats of tomorrow.

When we speak of preserving the Constitution of the United States, we must always remember that its preservation involves the prior preservation of the independence of the three branches of the Government. When Mr. Biddle states, "The court should not substitute its judgment for that of the Executive," he is virtually saying that we should dis-

regard the independence of the three branches of the Government and that the court should be subservient to the will of the Chief Executive.

I assert that Attorney General Biddle's statement, which I have just quoted, is one of the most amazing statements which have come to the American people from the present administration.

Thomas Jefferson left a great admonition with the American people when he said, "Speak not to me of trusting officials. Let them be bound by the chains of the Constitution. We have no other protection."

Woodrow Wilson, who was our war President during the First World War, stated, "The history of a free people is the history of limitations on government."

It is the duty of the President of the United States to protect, preserve, and defend the Constitution of the United States, not only as to acts of the people outside the administration, but the very acts of the administration itself.

I think the American people will submit to any hardships and suffering necessary to win the war. But I think they are tired of being told that any question on their part as to what is necessary is proof of lack of patriotism. A healthy functioning and cooperative civilian economy is just as necessary as armed forces for the winning of the war. Unnecessary restrictions which disrupt a strong civilian economy are a direct injury to the war effort. The questions involved in this issue transcend all party lines and partisan politics.

Mr. President, I ask unanimous consent to have printed in the RECORD as a part of my remarks, and at the conclusion thereof, a letter written to me by Mr. Thomas Roy Jones, a former industry member of the National War Labor Board, and now president of the New Jersey State Chamber of Commerce, which is composed of large and small business throughout the State of New Jersey.

I may add that the State of New Jersey held first place in production of war materials at the beginning of the war and now ranks among the first five States of the Union in its productive contribution of vital and necessary war materials.

The PRESIDING OFFICER. Without objection, the letter submitted by the Senator from New Jersey will be printed in the RECORD.

(The letter is as follows:)

MAY 2, 1944.

HON. ALBERT W. HAWKES,
Senate Office Building,
Washington, D. C.

DEAR AL: You and I have been industry members of the National War Labor Board and therefore are in an especially good position to realize why New Jersey businessmen are so concerned with the implications in the taking over of Montgomery Ward. We hope Congress will investigate this matter fully and that the serious issues raised will be settled on the basis of fundamental principles.

We believe Congress should conduct a thorough inquiry into every aspect of the Ward case. Have Federal agencies exceeded the scope of their authority in the procedure followed by them? The situation in our judgment calls for a definition of the Fed-

eral Government's war powers in clear and simple terms which cannot be misunderstood.

The New Jersey State Chamber of Commerce has been deluged with letters and inquiries since the Montgomery Ward seizure. These indicate the tremendous interest in our State in this unprecedented action.

New Jersey businessmen are deeply disturbed by the argument made in Federal court on Monday by Attorney General Biddle in his efforts to justify the Montgomery Ward action. Mr. Biddle's statement that "the court should not substitute its judgment for that of the Executive" is a peremptory demand by the national administration that the courts surrender their constitutional function.

Under the procedure which the Attorney General seeks to justify, no business, group, or individual activity, war or nonwar, is beyond seizure by administration agencies. This is a dangerous philosophy and very properly is causing deep concern throughout the entire country.

Congress should take immediate steps to prevent abuse of wartime powers. Here in America, we are not willing to see constitutional processes and civil rights swept away and abrogated in dictatorial fashion.

We believe that in the seizure of the Montgomery Ward property the Federal Government has raised issues which must now be settled by Congress on the basis of fundamental principles. This is essential if the rights of business and labor and the welfare of every American citizen are to be protected.

1. Shall any one employer or employee be compelled to recognize a union as bargaining agent for all employees until it has been proven by legal election that the union which claims to represent the majority of the workers has such a majority of members in good standing?

2. Is governmentally enforced maintenance of union membership a legal and an American proceeding?

3. Is the President empowered to seize an industry, not directly engaged in war production, for the purpose of enforcing the decisions of the War Labor Board which was created to prevent industrial stoppages and slow-downs in war industries?

When the National War Labor Board orders maintenance of union membership, as it has in the Montgomery Ward and many other cases, it means that any person who is a member as of a specified date, or thereafter becomes a member of the labor organization involved, must maintain his membership in that union in order to hold his job. This includes the payment of dues and assessments and compliance with the union rules. The union, under such a War Labor Board order, can require the employer to fire from his job any employee for violation of any of the union rules. This places in the hands of union officials the power of dictatorship over the lives of free American workmen.

1. We believe in the right of labor to organize, to bargain collectively by lawfully established processes, and to strike lawfully in peacetimes.

We believe in the right of each American to choose voluntarily whether he wishes to join or not to join or remain a member of any labor organization. In like manner we believe that each American has the right to decide for himself whether he shall be or remain a member of any church, fraternal organization, society, political party or any other lawful group. The withdrawal or the suspension of the rights of any person to join or not to join a private organization imperils the individual's rights with respect to choice of membership in any other organization.

2. We believe that there must be equal justice for labor, management, and ownership. These three vital factors in American life must function together under voluntary

cooperation, with full respect for law and order, with due regard for the rights of each group, and with particular regard for the rights of the general public.

3. We believe that it is un-American and unnecessary for the successful prosecution of the war, and a violation of the liberties of any person to force him to remain in a labor union and pay dues in order to work and earn a living.

4. We believe that labor has the same deep interest as management and ownership in avoiding unnecessary and improper seizure of property by the Government. All should remember that the same army that is used to seize business property can be used to seize union officials and the property of the union members.

5. The President of the United States has said, "You cannot mine coal with bayonets." By the same token, you cannot conduct American business with bayonets.

6. We believe that government must not become the partner of any one group—labor or business, and in all the disputes that arise, government must maintain strict impartiality in the administration of the law as established by the Congress representing the people. The administrators of government must keep themselves free from the charge of influence from pressure groups, or of political expediency.

We recommend that Congress should decide whether the President and the National War Labor Board have acted within or beyond the scope of their authority in the procedure which they have followed. The Congress should decide promptly whether such authority is required for the successful prosecution of the war. We believe the American people expect their representatives in Congress to define the war powers of the Chief Executive in simple and clear terms which cannot be misunderstood by the Chief Executive or the Government agencies. This should be done by the enactment of laws which can be clearly construed by our courts in wartime as well as peacetime, and in accordance with constitutional guarantees.

We recommend that Congress promptly review the powers it has granted for the purpose of prosecuting the war and where excessive and unnecessary power has been granted, that it should be withdrawn.

We further recommend that new legislation be enacted without delay to prevent abuses and unnecessary restrictions of the people's rights by anyone.

Sincerely yours,

THOMAS ROY JONES,
President.

SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS

The Senate resumed the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

THE PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. KILGORE].

Mr. MURRAY. Mr. President, I have listened with close attention to the remarks made by the able Senator from West Virginia [Mr. KILGORE], and I wish to say that I am in full agreement with his statement that it is absolutely essential that the human side of the problem of reconversion shall be considered in connection with the total problem. I wish to say also that I am in full accord with the statement setting forth a program of required legislation issued by the labor organizations of the country which was printed in the RECORD yester-

day. It would be absolutely unthinkable to pass contract-termination legislation without following it with an over-all program for reconversion. It is unfortunate we did not have the over-all legislation ready at the time when the contract-termination bill was prepared. It was the original intention, indeed, it was the fixed policy of the Committee on Post-war Economic Policy and Planning of the Senate, under the chairmanship of the Senator from Georgia [Mr. GEORGE], to have all this legislation combined in one bill, but it was found impossible to have the other legislation prepared at the time the contract-termination bill was finally prepared and ready for consideration by the Senate. That legislation was urgent because of the volume of contract terminations. It was only on that account that the contract-termination feature of the program was divorced from the over-all legislation. The Committee on Post-war Economic Policy and Planning through its chairman [Mr. GEORGE] has promised that it will immediately give consideration to the other proposed legislation and will take every step necessary to have it enacted at the earliest possible moment.

My committee also has been working on the same problem, and recently I sent an identical letter to various labor groups and also to industry, asking them for their recommendations with reference to the problem of unemployment. I wish to introduce that letter into the RECORD at this point, and to call attention to the fact we are beginning now to receive letters from industry answering that communication.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
April 27, 1944.

Various industry and labor groups have requested that provision be made for dismissal wages to be paid to workmen rendered unemployed on account of termination of war contracts, and that employers be reimbursed by the Government for any such payments.

In this connection several requests have been received to include a provision to that effect in S. 1718, the contract-termination bill introduced by Senator GEORGE and myself. In answer to those requests, my staff prepared and distributed some time ago a preliminary draft of a dismissal-wage provision for insertion into S. 1718.

After careful consideration of the comments received on the staff proposal for dismissal wages, I have come to the conclusion that the medium of dismissal wages is inadequate for the purpose of providing financial aid to those who will become unemployed as a result of war-contract termination. I believe that the only satisfactory way of coping with that problem is through unemployment compensation. It is my opinion that it will be necessary for the Federal Government to assist the States in providing more adequate unemployment compensation and to strengthen the financial resources of State unemployment funds. I have come to this conclusion for the following reasons:

1. The problem of unemployment resulting from war-contract termination is one of the Nation's many war problems. In part at least, therefore, the cost of coping with that problem ought to be considered a cost of the war and, like other war costs, be paid from the United States Treasury. Without Federal aid, however, the increased burden would

have to be borne by State unemployment funds, and many employers may have to be taxed more heavily under experience-rating provisions in order to meet increased drain on the State funds.

2. To a large extent, unemployment compensation during the period of reconversion should be considered in the nature of a stand-by wage payable while many plants are being reconverted to peacetime production. Under many present State plans, unemployment compensation is inadequate in amount and duration for this purpose. Without adequate stand-by wages many employers would be compelled to continue workmen on their pay rolls at their own expense, although having no work for them, in order to maintain their labor force in readiness when reconversion is completed. Many employers—especially those operating with limited financial resources—will be financially unable to bear such an additional reconversion expense, and such employers should not be placed at a competitive disadvantage by comparison with employers who can afford this expense.

3. Adequate unemployment compensation is essential for the maintenance of the purchasing power of the masses of our people during any period of large-scale unemployment. Without maintaining mass purchasing power, civilian production may be discouraged because sufficient markets may be lacking.

In support of these views I would like to refer you to a recent speech by Mr. James F. Byrnes, Director of War Mobilization, given before the Academy of Political Science, entitled "Preparation for Peace on the Home Front." After discussing the inadequacy of dismissal wages, he stated as follows:

"The existing State unemployment insurance laws were framed to meet local conditions of temporary unemployment and are not adequate to deal with the Nation-wide problem of reemployment. Demobilization must be regarded as a national problem and its costs as part of the costs of the war.

"I think the most constructive approach to this problem is to supplement existing State unemployment benefits to the extent necessary to give workers, during the transition from war to peace, suitable unemployment benefits to be prescribed in a Federal demobilization law."

I am giving consideration to two plans:

1. The Federal Government would pay one-half of the unemployment compensation paid under State unemployment-compensation laws. This proposal would not provide for any Federal standards as to amount or duration of benefits and would leave all action with respect to liberalization of present unemployment benefits to the initiative of the States. For that reason it might not bring about the desired results. However, if the States wished to act, the money would be available.

2. Under the second plan, Federal financial aid to any State would be conditioned upon the State meeting certain Federal standards as to amount, duration, coverage, etc., of unemployment benefits. Any State which would meet the standards established by Congress could elect to receive Federal financial aid in either of the two following ways:

(a) Fifty percent Federal reimbursement for all unemployment-benefit payments made by the State; or

(b) One hundred percent Federal reimbursement for unemployment payments in excess of those which would otherwise have been paid under State law.

I should greatly appreciate your comments on the proposed program of emergency Federal financial aid to State unemployment funds and the two preliminary plans suggested for carrying out such a program.

Sincerely,

JAMES E. MURRAY,
Chairman, War Contracts Subcommittee.

Mr. MURRAY. Mr. President, I have here a letter from Mr. J. Tyson Stokes, vice president, legal department, of the Baldwin Locomotive Works. I shall ask that his letter be printed in the RECORD, but first I wish to call attention to two sentences in the letter of Mr. Stokes. He says:

I heartily agree with your conclusion that the only satisfactory way to cope with this problem is through unemployment compensation.

This question of unemployment during reconversion is so essentially one of national economic policy that the cost of Federal aid to the States should, I think, be borne by all of the taxpayers to the same extent that all of the taxpayers bear the cost of war.

I ask that the entire letter of Mr. Stokes be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE BALDWIN LOCOMOTIVE WORKS,
Philadelphia, May 1, 1944.

HON. JAMES E. MURRAY,
Chairman, War Contracts Subcommittee,
Senate Office Building, Washington,
D. C.

MY DEAR SENATOR MURRAY: I have read with interest your letter of April 27 in regard to S. 1718 and the question of dismissal wages to be paid to workmen who become unemployed as a result of the termination of war contracts.

I heartily agree with your conclusion that the only satisfactory way to cope with this problem is through unemployment compensation and that it would not be practical or possible to provide for dismissal wages in legislation dealing only with the termination of war contracts.

With respect to the two alternative plans referred to in your letter, I should prefer to see the adoption of plan (1) because I am one of those who feel that matters of this kind should be handled as far as possible by the several States rather than through the Federal Government. At least, I think the States should have the opportunity to cope with the problem and that the Federal assistance under plan (1) should be all that is necessary to initiate activity on the part of each State. I suppose that whether one prefers plan (1) or plan (2) depends largely on one's personal political philosophy.

As to the method of reimbursing the States, I believe that either the 50-percent reimbursement under A or the 100-percent reimbursement under B would be satisfactory. The important thing, in my opinion, so far as Federal reimbursement is concerned is to see that the burden of this charge on the Government falls on all of the taxpayers in the country rather than on particular employers whose experience rating under the State laws may involve larger contributions than other employers whose experience rating is more favorable. This question of employment during the reconversion period is so essentially one of national economic policy that the cost of Federal aid to the States should, I think, be borne by all of the taxpayers to the same extent that all of the taxpayers bear the cost of war.

Very truly yours,

J. TYSON STOKES,
Vice President, Legal Department.

Mr. MURRAY. I wish to state further, Mr. President, that at a hearing before the Military Affairs Subcommittee today in which Members of the House of Representatives participated, General Hines

testified on the human aspects of demobilization and post-war adjustment.

I asked General Hines if he could submit specified recommendations within 2 weeks. The general stated that he would do so within 2 weeks—after discussing the matter with the President and with Mr. Justice Byrnes.

From the scope of the subjects covered in the testimony I am confidently looking forward to recommendations from General Hines covering the following subjects:

First. The rate of demobilization from the armed services.

Second. The question of treating veterans and war workers on an equal basis.

Third. Unemployment compensation for workers and veterans.

Fourth. Education and retraining.

Fifth. Transportation back home.

Mr. President, I think that is all I have to say at this time.

Mr. KILGORE. I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. TUNNELL in the chair). The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Eastland	Overton
Austin	Ellender	Radcliffe
Bailey	Ferguson	Reed
Ball	George	Revercomb
Bankhead	Gerry	Reynolds
Barkley	Gillette	Robertson
Blibo	Guffey	Russell
Brewster	Hatch	Shipstead
Bridges	Hawkes	Smith
Brooks	Johnson, Colo.	Stewart
Buck	Kilgore	Taft
Burton	Langer	Thomas, Idaho
Bushfield	Lucas	Thomas, Okla.
Byrd	McCarran	Tunnell
Capper	McFarland	Tydings
Caraway	McKellar	Vandenberg
Chavez	Maloney	Wagner
Clark, Mo.	Maybank	Walsh, Mass.
Connally	Mead	Weeks
Cordon	Millikin	Wheeler
Danaher	Murdock	White
Davis	Murray	Wilson
Downey	O'Mahoney	

Mr. BARKLEY. I announce that the Senator from Washington [Mr. BONE], the Senator from Virginia [Mr. GLASS], and the Senator from New Jersey [Mr. WALSH] are absent from the Senate because of illness.

The Senator from Utah [Mr. THOMAS] has been appointed by the President of the United States as a delegate to attend the International Labor Organization Conference in Philadelphia, and is, therefore, necessarily absent.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are absent on official business for the Special Committee to Investigate the National Defense Program.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], the Senator from Rhode Island [Mr. GREEN], the Senator from Alabama [Mr. HILL], and the Senator from Arkansas [Mr. McCLELLAN] are detained on public business.

The Senator from Nevada [Mr. SCRUGHAM] is absent on official business.

The Senator from Texas [Mr. O'DANIEL] is necessarily absent.

The Senator from Indiana [Mr. JACKSON] is absent attending a funeral.

Mr. WHITE. The Senator from New Hampshire [Mr. TOBEY] is absent because of illness.

The Senator from Oregon [Mr. HOLMAN], the Senator from Nebraska [Mr. BUTLER], the Senator from Oklahoma [Mr. MOORE], the Senator from North Dakota [Mr. NYE], the Senator from Nebraska [Mr. WHERRY], and the Senator from Indiana [Mr. WILLIS] are necessarily absent.

The Senator from Wisconsin [Mr. WILEY] is absent on official business.

The PRESIDING OFFICER. Sixty-eight Senators have answered to their names. A quorum is present.

The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. KILGORE].

Mr. KILGORE. I ask for the yeas and nays.

The yeas and nays were not ordered.

Mr. KILGORE. I ask for a division.

Mr. LANGER. A parliamentary inquiry. What is the question on which the Senate is voting?

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia to Senate bill 1718. The Senator from West Virginia has asked for a division.

On a division, the amendment was rejected.

Mr. DAVIS subsequently said: Mr. President, I should like to have the Record show in regard to the amendment offered by the Senator from West Virginia [Mr. KILGORE] to Senate bill 1718, that if I had had an opportunity to vote on the amendment I would have voted for it.

Mr. LANGER subsequently said: Mr. President, I should like to have the Record show the same statement on my own behalf as has been made by the distinguished senior Senator from Pennsylvania.

The PRESIDING OFFICER. The committee amendment is before the Senate and open to further amendment.

Mr. REVERCOMB. Mr. President, I should like to make an inquiry which I feel can be answered by the Senator from Montana [Mr. MURRAY], with respect to an amendment which we discussed, which is proposed to be offered on page 83, in subsection (f) of section 20. That amendment to the committee amendment has not been offered, and if it is appropriate to offer it at this time I should like to do so.

Mr. MURRAY. I have no objection to the amendment.

Mr. REVERCOMB. I offer the amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. In section 20, subsection (f) on page 83, line 23, it is proposed to strike out the words "If the officer or employee receives therefor no benefit or compensation of any kind, directly or indirectly, from any war contractor," and insert in lieu thereof the word "any."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. REVERCOMB] to the committee amendment.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment, as amended.

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and was read the third time.

The PRESIDING OFFICER. The question is, shall the bill pass?

The bill (S. 1718) was passed.

Mr. MURRAY subsequently said: Mr. President, I am gratified by the speed with which the Senate has acted on Senate bill 1718 today. I believe that this handling of the termination of war contracts problems shows that Congress is capable of coping with the other intricate problems of our economic readjustment after the war. However, Congress will not have discharged its responsibilities by the mere passage of Senate bill 1718. The bill contains general policy statements, and makes it the responsibility of the contracting agencies and the director to carry out those policies. The two principal policies of the bill are to assure fair settlements and adequate interim financing to all war contractors, whether they be prime contractors or subcontractors, and to protect the interests of the Government in connection therewith. There is, of course, danger that those policies may not be carried out or, more specifically, that inadequate attention may be paid to subcontractors in connection with settlements and interim financing, and that extravagant and wasteful settlements may be made. Senate bill 1718 specifically provides in Section 2 that the "appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this act and shall otherwise maintain continuous surveillance of the Government agencies under the act." This responsibility on the part of Congress to see to it that the policies laid down by the Congress are carried out is a serious one, and it must be discharged properly if the power of Congress in our democratic system of government is to be maintained.

EXTENSION OF LEND-LEASE ACT

Mr. CONNALLY. Mr. President, I move that the Senate proceed to the consideration of House bill 4254 to extend for 1 year the provisions of the lend-lease legislation.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 4254) to extend for 1 year the provisions of an act to promote the defense of the United States, approved March 11, 1941, as amended.

Mr. BRIDGES. Mr. President, I wish to make one inquiry, if I may, of the Senator from Tennessee. Will the Senator from Texas yield for that purpose?

Mr. CONNALLY. I yield.

Mr. BRIDGES. I understood that the Senator from Tennessee, the acting chairman of the Appropriations Committee, had a group of experts working on the lend-lease matter, and that we were about to receive a report on the general operations of lend-lease. I wonder if the Senator from Tennessee intended to present the report before or during the period of consideration of the lend-lease measure.

Mr. McKELLAR. The Senator is correct with respect to the report. I will say that there is a call for a meeting at 1:45 p. m., today, of the subcommittee which considered this matter. The Senator from New Hampshire is a member of that subcommittee.

Mr. BRIDGES. Yes.

Mr. McKELLAR. There is also to be a meeting of the full Appropriations Committee at 2 o'clock this afternoon. Unless objection is made, I am going to anticipate by making a brief statement with respect to lend-lease and I shall ask that when the report comes in it may be made a part of my remarks. Is that satisfactory to the Senator from Texas and other Senators? If so, I shall make the statement now.

Mr. ELLENDER. Mr. President, will the Senator from Texas yield?

Mr. CONNALLY. I yield.

Mr. ELLENDER. It was my understanding that the bill would not come up for consideration until the report, to which the Senator from Tennessee has just referred, was made public.

Mr. McKELLAR. It will be made public after 2 o'clock today.

Mr. ELLENDER. When does the Senator from Texas desire to take up the lend-lease bill—now?

Mr. CONNALLY. I have already moved that the Senate proceed to consider the bill, so that it may be made the pending business. I ask the Chair whether action has been taken on my motion.

The PRESIDING OFFICER. The motion made by the Senator from Texas is still pending.

Mr. CONNALLY. The motion to proceed to consideration of the lend-lease measure is pending.

Mr. ELLENDER. I was hopeful that consideration of the bill would be postponed until some of us had had time to study the report which is to be submitted by the distinguished Senator from Tennessee.

Mr. McKELLAR. I have no doubt that the Senator from Texas would be willing that that be done, but I should like to submit the report at this time.

Mr. CONNALLY. Mr. President, I will say to the Senator from Louisiana that it is my purpose, if the Senate agrees to my motion to proceed to consideration of the bill, to request the Senator from Tennessee to make the report which he has in mind, and then, after a very brief statement by me as chairman of the Committee on Foreign Relations, the

Senate will probably recess until tomorrow, so as to give Senators an opportunity to peruse the report which the Senator from Tennessee will present.

Mr. ELLENDER. That is satisfactory to me.

Mr. McKELLAR. I was about to say that I shall ask that the report be published in the CONGRESSIONAL RECORD and printed as a Senate document, so everyone can understand exactly what has been done under lend-lease.

Mr. ELLENDER. Mr. President, will the Senator from Texas yield?

Mr. CONNALLY. I yield.

Mr. ELLENDER. Does the Senator from Texas know whether or not the Truman committee has completed its report on the lend-lease proposal?

Mr. CONNALLY. I cannot at the moment say about that. I can ascertain whether it has been completed.

Mr. ELLENDER. I was under the impression that that report would also be forthcoming before the question of renewing lend-lease legislation would be taken up by the Senate.

Mr. WHITE. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. WHITE. I want to be sure I understand the program. I have understood from some conversation which has taken place in the Chamber that we would proceed now with the lend-lease bill, with the understanding that it would not be disposed of today, but would go over until tomorrow.

Mr. CONNALLY. That is correct.

Mr. WHITE. And that at the conclusion of the consideration of the bill tomorrow the Senate would then recess until Tuesday.

Mr. CONNALLY. That is the program as I understand it, that we proceed a short time today on the lend-lease bill, and then recess until tomorrow, and that tomorrow, when the consideration of the bill is completed, the Senate will then recess until Tuesday.

Mr. ELLENDER. Before voting on the bill?

Mr. CONNALLY. No. We will vote on the lend-lease measure probably tomorrow, but I mean in the course of things we would then recess from Friday until Tuesday.

I renew my motion that the Senate proceed to the consideration of House bill 4254.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 4254) to extend for 1 year the provisions of an act to promote the defense of the United States, approved March 11, 1941, as amended.

Mr. CONNALLY. Mr. President, if the Senator from Tennessee will wait a moment before he proceeds with his statement?

Mr. McKELLAR. Yes, indeed.

Mr. CONNALLY. The Committee on Foreign Relations of the Senate has favorably reported House bill 4254, submitted Report No. 848 to accompany the bill, and requests favorable consideration of the bill by the Senate. The bill simply provides for an extension for 1 year of the so-called lend-lease legislation, except that it carries an amend-

ment which was not incorporated in former enactments. The House inserted this provision as an amendment to section 3 (b) of the act:

Provided, however, That nothing in this paragraph shall be construed to authorize the President in any final settlement to assume or incur any obligations on the part of the United States with respect to post-war economic policy, post-war military policy, or any post-war policy involving international relations except in accordance with established constitutional procedure.

That is a safeguard which the House inserted in the bill, and to which the Senate committee agreed.

Mr. President, in view of the fact that the Senator from Tennessee, as chairman of the Committee on Appropriations, has given very thorough consideration to the operations of lend-lease in connection with appropriations for that activity, I yield the floor at this time to him in order that he may give the Senate a picture of the situation, and in order that the report may be printed in the RECORD tonight for the information of Senators in their consideration of the bill. It is not my purpose to insist upon a vote on the bill today.

Mr. DANAHER. Mr. President, there was one point in the statement made by the Senator from Texas [Mr. CONNALLY] to which I should like to invite his attention at this time. After indicating that in the language adopted by the House of Representatives there appeared a proviso, the Senator explained that its insertion is designed to insure against having the President in a final settlement commit us to certain obligations which are mentioned. It becomes clear, upon reading, that the limitation upon the President's authority to act is prospective, when one refers to the words "incur any obligations on the part of the United States"; so that in any "final settlement," as the proviso reads, the President, under the authority of this particular paragraph, would have no power to incur any obligations with respect to post-war economic policy, and so forth. I think the Senator will agree with me in my understanding that the provision is prospective in application when it is considered with reference to the word "incur." Is that not correct?

Mr. CONNALLY. The language is—
In any final settlement to assume or incur any obligations.

I assume that what is meant is that during the processes of administration of this act there will be temporary arrangements for settling certain things, but that under all the master agreements there must be, in the ultimate accounting and reckoning, a final settlement. Certainly as to that the President will not be authorized to incur or assume obligations on the part of the United States.

Mr. DANAHER. I agree with the construction the Senator has placed on that language; and, so far as the word "incur" is concerned, that applies prospectively, entirely.

Mr. CONNALLY. I think so.

Mr. DANAHER. But between now and the date of any final settlement it is assumedly, at least, possible that

the President might wish to enter into certain obligations. Therefore, I dare say, the draftsmen used the word "assume," in the language "assume or incur," in the sense of limiting any commitment the President might make between now and the date of the final settlement. Is that correct?

Mr. CONNALLY. Mr. President, in the main I agree with the Senator; and yet I am prepared to take the position that this language applying to the final settlement would have the effect, according to my theory, of vacating any temporary or tentative agreements which might have been made prior to the final settlement, because the final settlement will constitute the definitive terms upon which the whole program will be discontinued.

Mr. DANAHER. So that even though some unauthorized operations might now be undertaken, at the time of final settlement the President would not look to this section as the basis for binding action; is that correct?

Mr. CONNALLY. That is correct.

Mr. DANAHER. I thank the Senator.

Mr. CONNALLY. I yield the floor.

Mr. McKELLAR obtained the floor.

Mr. CONNALLY. Mr. President, does the Senator from Tennessee desire to have the absence of a quorum suggested?

Mr. McKELLAR. No; I believe not. I wish to make a statement at this time, because I have a committee meeting scheduled for quarter to 2 this afternoon.

Mr. CONNALLY. Mr. President, will the Senator yield to me for a moment?

Mr. McKELLAR. I yield.

Mr. CONNALLY. I wish to say that I hope all Members of the Senate will give attention to what the Senator from Tennessee has to say about this matter; because this bill is merely an authorization, as the others have been; and, of course, the actual appropriations have to be passed on by the Appropriations Committee. The Appropriations Committee has made a very careful investigation and examination of the reports on the lend-lease operations, and Senators probably will derive a better understanding from what the Senator from Tennessee is about to say than from any other source.

Mr. McKELLAR. Mr. President, I thank the Senator. I wish to say to the Senate that about 4 months ago, as Senators will recall, the Senate Appropriations Committee borrowed five men from certain of the departments for the purpose of making expert examinations of certain questions of great importance which came before the Congress. One of the most important of those was lend-lease. This committee was put in charge of it some time ago.

On November 26, 1943, the Subcommittee on Deficiencies submitted to the staff of the Committee on Appropriations a request for as much information about lend-lease as it was possible to obtain. The report which will be filed a little later, is in answer to the request for information made at that time.

The investigation was made upon a suggestion by the Senator from Maryland [Mr. TYDINGS], a member of the committee, in May 1943, to Mr. Stettin-

May
5th

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued May 6, 1944, for actions of Friday, May 5, 1944)

(For staff of the Department only)

CONTENTS

Adjournment.....	11,16	Irrigation.....	21	Purchasing.....	14
Assistant Secretaries of State.....	7	Labor.....	1,24	Rationing.....	6,32
Electrification.....	33	Labor, farm.....	3,23	Selective service.....	3,23,28
Flood control.....	8,16,26	Lend-lease.....	15,27	Soil conservation.....	20,26a
Flood relief.....	2	Loans, farm.....	11	Taxation.....	1,22
Food adm. (general).....	34	Machinery, farm.....	23,26a	T.V.A.....	10
Food distribution.....	18,19	Meat inspection.....	30	Transportation.....	19,29
Food production.....	2,23	Minerals.....	12	Veterans.....	5
Foreign agriculture.....	17	Price control.....	25,31	War relocation.....	9
Inflation.....	25	Property disposition.....	14	Water conservation.....	13

HOUSE

1. TAXATION. Passed, 358-0, with amendment H.R. 4646, the tax-simplification bill.
(pp. 4154-5).

As passed by the House, the bill contains the following provisions: Defines a farmer as an individual who derives more than 2/3 of his income from farming (present provision is 80%). Permits a farmer to make a final return on or before Jan. 15 of the year following the close of the calendar year in lieu of making any declaration of estimated tax; and provides that if unable to make a complete return by Jan. 15, he can make a declaration of estimated tax on or before Jan. 15 and file a final return on or before Mar. 15. Repeals the Victory tax. Combines the present normal and surtax into a single surtax. Imposes a new normal tax of 3% on each person whose net income exceeds \$500. Provides a new simplified tax table, for optional use by taxpayers with adjusted gross incomes of less than \$5,000, and which allows the taxpayer a standard deduction of about 10% of gross income. Permits taxpayers with adjusted gross incomes of \$5,000 or more to claim, in lieu of actual deductions, a standard deduction of \$500. Modifies the present withholding system, effective Jan. 1, 1945, so as to withhold approximately the full tax liability on wages up to at least \$5,000. Permits taxpayers to amend their declarations on or before Jan. 15 next following the close of the taxable year, and permits them to file their final return in lieu of the final declaration of estimated tax. Decreases considerably the number of persons required to file declarations of estimated tax. For the surtax, provides for a uniform exemption of \$500 per person, so that the taxpayer is allowed \$500, his spouse \$500, and each dependent \$500. Allows up to 15% of adjusted gross income to be deducted for charitable contributions (now 15% of net income). Permits medical expenses to be deducted only if they exceed 5% of adjusted gross income (now 5% of net income). "Adjusted gross income," as used in the bill, in general means gross income less business deductions.

2. FLOOD RELIEF. Rep. Cannon, Mo., discussed the flood situation in the Central West, described what this Department is doing to provide feed for livestock,

and announced that his flood-relief bill, H.J.Res. 269, will probably come up for consideration early next week (pp. 4130-1).

3. FARM LABOR; SELECTIVE SERVICE. Rep. Gross, Pa., stated that the uncertain draft situation regarding farm labor makes it difficult for farmers to plan (p.4131)
 4. WARD SEIZURE. Agreed, 300-60, without amendment, to H.Res. 521, authorizing a select committee to investigate the seizure of Montgomery Ward (pp. 4130-53).
 5. VETERANS; FARM LOANS. the World War Veterans' Legislation Committee reported with amendment S. 1767, to GI Bill of Rights, which provides for loans to veterans for farm purchases (H.Rept. 1418) (p. 4172).
 6. RATIONING. Rep. Taber, N.Y., claimed that the recent removal of certain meats from rationing and the reduction in number of points per month will not give "people...a single thing more" (p. 4131).
Rep. Andresen, Minn., criticized the administration of the rationing program, asking, "Is rationing of food a political or disciplinary expedient?" (pp. 4165-6).
 7. ASSISTANT SECRETARIES OF STATE. Foreign Affairs Committee reported without amendment H.R. 4311, to authorize the appointment of 2 additional Assistant Secretaries of State (H.Rept. 1422) (p. 4172).
 8. FLOOD CONTROL. Received from this Department a flood-control survey report on the Buffalo Creek watershed, N.Y. (H.Doc. 574). To Flood Control Committee. (pp. 4171-2)
 9. WAR RELOCATION. Reps. Costello, Calif., and Eberharter, Pa., discussed WRA's action in relocating Japanese on the East coast (p. 4157).
 10. TENNESSEE VALLEY AUTHORITY. Rep. Kefauver, Tenn., discussed the TVA question, stating that "on the issue of good management Congress can be judged by its decision with respect to T.V.A." Several members discussed this with him. (pp. 4158-65).
 11. ADJOURNED until Mon., May 8 (p. 4171). Legislative program as announced by Majority Leader McCormack: Mon. and Tues., the flood-control bill; Wed. and Thurs., H.R. 1780, to increase the debt limit, followed by S. 1767, the GI Bill of Rights (p. 4157).
- SENATE
12. MINERALS. Received a Ky. Legislature resolution urging ceiling-price increase on fluor spar (p. 4123).
 13. WATER CONSERVATION. Irrigation and Reclamation Committee received unanimous consent to have a Bureau of Reclamation report on the conservation, control, and use of the water resources of the Mo. River Basin printed as S.Doc. 191 (p.4124).
 14. PURCHASING; PROPERTY DISPOSITION. Sen. Murray, Mont., inserted his correspondence with the Comptroller General with respect to GAO's role in the settlement of war-contract-termination claims, as authorized by S. 1718 (pp. 4125-6).
 15. LEND-LEASE. Consideration of H.R. 4254, to extend for one year the Lend-Lease Act, was postponed until Mon., May 8 (pp. 4126-7).

S. 1718

Referred to the Committee on the Judiciary

AN ACT

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

SECTION 1. The Congress hereby declares that the ob-
jectives of this Act are—

(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts,

1 and adequate interim financing until such final settle-
2 ment;

3 (c) to assure uniformity among Government
4 agencies in basic policies and administration with re-
5 spect to such termination settlements and interim
6 financing;

7 (d) to facilitate the efficient use of materials, man-
8 power, and facilities for war and civilian purposes by
9 providing prime contractors and subcontractors with
10 notice of termination of their war contracts as far in
11 advance of the cessation of work thereunder as is feasi-
12 ble and consistent with the national security;

13 (e) to assure the expeditious removal from the plants
14 of prime contractors and subcontractors of termination
15 inventory not to be retained or sold by the contractor;

16 (f) to use all practicable methods compatible
17 with the foregoing objectives to prevent improper pay-
18 ments and to detect and prosecute fraud.

19 SURVEILLANCE BY CONGRESS

20 SEC. 2. (a) To assist the Congress in appraising the ad-
21 ministration of this Act and in developing such amendments
22 or related legislation as may further be necessary to accom-
23 plish the objectives of the Act, the appropriate committees of
24 the Senate and the House of Representatives shall study each
25 report submitted to the Congress under this Act and shall

1 otherwise maintain continuous surveillance of the operations
2 of the Government agencies under the Act.

3 (b) In January, April, July, and October of each year,
4 the Director shall submit to the Senate and House of Repre-
5 sentatives a quarterly report on the exercise of his duties and
6 authority under this Act, the status of contract terminations,
7 termination settlements, and interim financing and such other
8 pertinent information on the administration of the Act as will
9 enable the Congress to evaluate its administration and the
10 need for amendments and related legislation.

11 DEFINITIONS

12 SEC. 3. As used in this Act—

13 (a) The term “prime contract” means any contract,
14 agreement, or purchase order heretofore or hereafter entered
15 into by a contracting agency and connected with or related
16 to the prosecution of the war; and the term “prime con-
17 tractor” means any holder of one or more prime contracts.

18 (b) The term “subcontract” means any contract, agree-
19 ment, or purchase order heretofore or hereafter entered into
20 to perform all or any part of the work, or to make or furnish
21 any material to the extent that such material is required for
22 the performance of any one or more prime contracts or of
23 any one or more other subcontracts; and the term “subcon-
24 tractor” means any holder of one or more subcontracts.

25 (c) The term “war contract” means a prime contract

1 or a subcontract; and the term "war contractor" means any
2 holder of one or more war contracts.

3 (d) The terms "termination", "terminate", and "ter-
4 minated" refer to the termination or cancelation, in whole
5 or in part, of work under a prime contract for the convenience
6 or at the option of the Government (except for default of
7 the prime contractor) or of work under a subcontract for
8 any reason except the default of the subcontractor.

9 (e) The term "material" includes any article, com-
10 modity, machinery, equipment, accessory, part, component,
11 assembly, work in process, maintenance, repair, and oper-
12 ating supplies, and any product of any kind.

13 (f) The term "Government agency" means any execu-
14 tive department of the Government, or any administrative
15 unit or subdivision thereof, any independent agency or any
16 corporation owned or controlled by the United States in the
17 executive branch of the Government, and includes any
18 contracting agency.

19 (g) The term "contracting agency" means any Gov-
20 ernment agency which has been or hereafter may be author-
21 ized to make contracts pursuant to section 201 of the First
22 War Powers Act, 1941, and includes the Reconstruction
23 Finance Corporation and any corporation organized pursuant
24 to the Reconstruction Finance Corporation Act (47 Stat. 5),
25 as amended, and the Smaller War Plants Corporation.

1 (h) The term "termination claim" means any claim or
2 demand by a war contractor for fair compensation for the
3 termination of any war contract and any other claim under
4 a terminated war contract, which regulations prescribed under
5 this Act authorize to be asserted and settled in connection
6 with any termination settlement.

7 (i) The term "interim financing" includes advance pay-
8 ments, partial payments, loans, discounts, advances, and
9 commitments in connection therewith, and guaranties of loans,
10 discounts, advances, and commitments in connection there-
11 with and any other type of financing made in contemplation
12 of or related to termination of war contracts.

13 (j) The term "Director" means the Director of Contract
14 Settlement.

15 (k) The term "person" means any individual corpora-
16 tion, partnership, firm, association, trust, estate, or other
17 entity.

18 (l) The term "termination inventory" means any ma-
19 terials (including a proper part of any common materials),
20 properly allocable to a terminated war contract, except any
21 machinery or equipment subject to a separate contract spe-
22 cifically governing the use or disposition thereof.

23 (m) The term "final and conclusive", as applied to any
24 settlement, finding, or decision, means that such settlement,
25 finding, or decision shall not be reopened, annulled, modified,

1 set aside, or disregarded by any officer, employee, or agent
2 of the United States or in any suit, action, or proceeding.

3 DIRECTOR OF CONTRACT SETTLEMENT

4 SEC. 4. (a) There is hereby established the Office of
5 Contract Settlement which shall be headed by the Director
6 of Contract Settlement. The Director shall be appointed by
7 the President, by and with the advice and consent of the
8 Senate, and shall receive compensation at the rate of \$12,000
9 per year, and shall serve for a term of two years.

10 (b) In order to insure uniform and efficient adminis-
11 tration of the provisions of this Act, the Director, subject to
12 such provisions, by general orders or general regulations—

13 (1) shall coordinate the activities of all Govern-
14 ment agencies under this Act;

15 (2) shall prescribe policies, principles, methods, pro-
16 cedures, and standards to govern the exercise of their
17 authority and discretion and the performance of their
18 duties and functions under this Act; and

19 (3) may require or restrict the exercise of any
20 such authority and discretion, or the performance of
21 any such duty or function, to such extent as he deems
22 necessary to carry out the provisions of this Act.

23 (c) The exercise of any authority or discretion and
24 the performance of any duty or function, conferred or im-
25 posed on any Government agency by this Act, shall be

1 subject to such orders and regulations prescribed by the
2 Director pursuant to subsection (b) of this section. Each
3 Government agency shall carry out such orders and regula-
4 tions of the Director expeditiously, and shall issue such regu-
5 lations with respect to its operations and procedures as may
6 be necessary to carry out the policies, principles, methods,
7 procedures, and standards prescribed by the Director. Any
8 Government agency may issue such further regulations not
9 inconsistent with the general orders or regulations of the
10 Director as it deems necessary or desirable to carry out the
11 provisions of this Act.

12 (d) The Director may, within the limits of funds
13 which may be made available, employ and fix the compen-
14 sation of necessary personnel without regard to the pro-
15 visions of the civil-service laws and the Classification Act
16 of 1923 and make expenditures for supplies, facilities, and
17 services necessary for the performance of his functions under
18 this Act. The Director shall perform the duties imposed
19 upon him through the personnel and facilities of the con-
20 tracting agencies and other established Government agencies,
21 to the extent that this does not interfere with the function of
22 the Director to insure uniform and efficient administration
23 of the provisions of this Act.

24 CONTRACT SETTLEMENT ADVISORY BOARD

25 SEC. 5. There is hereby created a Contract Settlement

1 Advisory Board, with which the Director shall advise and
2 consult. The Board shall be composed of the Director, who
3 shall act as its Chairman, and of the Secretary of War, the
4 Secretary of the Navy, the Secretary of the Treasury, the
5 Chairman of the Maritime Commission, the Administrator of
6 the Foreign Economic Administration, the Chairman of the
7 Board of Directors of the Reconstruction Finance Corpora-
8 tion, the Chairman of the War Production Board, the chair-
9 man of the board of directors of the Smaller War Plants
10 Corporation, and the Attorney General, or any alternate or
11 representative designated by any of them. The Director
12 shall request other Government agencies to participate in
13 the deliberations of the Board whenever matters specially
14 affecting them are under consideration.

15 SETTLEMENT OF TERMINATION CLAIMS

16 SEC. 6. (a) It is the policy of the Government, and it
17 shall be the responsibility of the contracting agencies and
18 the Director, to provide war contractors, in accordance with
19 and subject to the provisions of this Act, with speedy and
20 fair compensation for the termination of any war contract,
21 including, but not limited to, reasonable costs solely incident to
22 termination and settlement, reasonable costs of removing and
23 storing termination inventories, and such allowance for profit
24 on the preparations made and work done for the terminated
25 part of the contract as is reasonable under the circumstances,

1 plus interest on the termination claim in accordance with
2 subsection (c) of this section. Such fair compensation for
3 the termination of subcontracts shall be based on the same
4 principles as compensation for the termination of prime
5 contracts.

6 (b) Where any war contract does not provide for or
7 provides against such fair compensation for its termination,
8 the contracting agency, either before or after its termination,
9 shall amend such war contract by agreement with the war
10 contractor, or shall authorize, approve, or ratify an amend-
11 ment of such war contract by the parties thereto, to provide
12 for such fair compensation.

13 (c) Any contracting agency may settle all or any part of
14 any termination claim under any war contract by agreement
15 with the war contractor, or by determination of the amount
16 due on the claim or part thereof without such agreement, or
17 by any combination of these methods. Where any such
18 settlement is made by agreement, the settlement shall be
19 final and conclusive, except (1) to the extent otherwise
20 agreed in the settlement; (2) for fraud; (3) upon rene-
21 gotiation to eliminate excessive profits under the Renegotia-
22 tion Act, unless exempt or exempted under that Act; or (4)
23 by mutual agreement before or after payment. Where any
24 such settlement is made by determination without

1 agreement, it shall likewise be final and conclusive,
2 subject to the same exceptions as if made by agreement,
3 unless the war contractor appeals or brings suit in accord-
4 ance with section 13 of this Act.

5 (d) Each contracting agency shall allow and pay in-
6 terest on the amount due and unpaid from time to time on
7 any termination claim under a prime contract at the rate of
8 $2\frac{1}{2}$ per centum per annum for the period beginning thirty
9 days after the date fixed for termination and ending with
10 the date of final payment, except that (1) if the prime con-
11 tractor unreasonably delays the settlement of his claim, in-
12 terest shall not accrue for the period of such delay, (2) if
13 interest for the period after termination on any advance pay-
14 ment or loan, made or guaranteed by the Government, has
15 been waived for the benefit of the contractor, the amount of
16 the interest so waived allocable to the terminated contract or
17 the terminated part of the contract shall be deducted from the
18 interest otherwise payable hereunder, and (3) if after de-
19 livery of findings by a contracting agency, the contractor
20 appeals or sues as provided in section 13, interest shall not
21 accrue after the thirtieth day following the delivery of the
22 findings on any amount allowed by such findings, unless such
23 amount is increased upon such appeal or suit. In approv-
24 ing, ratifying, authorizing, or making termination settlements
25 with subcontractors, each contracting agency shall allow

1 interest on the termination claim of the subcontractor on the
2 same basis and subject to the same conditions as are ap-
3 plicable to a prime contractor.

4 ^oSEC. 7. (a) Each contracting agency shall establish
5 methods and standards, suitable to the conditions of various
6 war contractors, for determining fair compensation for the
7 termination of war contracts on the basis of actual, standard,
8 average, or estimated costs, or of a percentage of the contract
9 price based on the estimated percentage of completion of
10 work under the terminated contract, or on any other equitable
11 basis, as it deems appropriate. To the extent that such
12 methods and standards require accounting, they shall be
13 adapted, so far as practicable, to the accounting systems
14 used by war contractors, if consistent with sound accounting
15 practice.

16 (b) Where, in connection with the settlement of any
17 termination claim by a contracting agency, any war con-
18 tractor makes settlements of the termination claims of his
19 subcontractors, the contracting agency shall limit or omit
20 its review of such settlements with subcontractors to the
21 maximum extent compatible with the public interest. Any
22 contracting agency (1) may approve, ratify, or authorize such
23 settlements with subcontractors upon such evidence, terms,
24 and conditions as it deems proper; (2) shall vary the scope
25 and intensity of its review of such settlements according to

1 the reliability of the war contractor, the size, number, and
2 complexity of such claims, and other relevant factors; and
3 (3) shall authorize war contractors to make such settlements
4 with subcontractors without review by the contracting
5 agency, whenever the reliability of the war contractor, the
6 amount or nature of the claims, or other reasons appear to
7 the contracting agency to justify such action. Any such
8 settlement of a subcontract approved, ratified, or authorized
9 by a contracting agency shall be final and conclusive as to
10 the amount due to the same extent as a settlement under
11 subsection (c) of section 6 of this Act, and no war con-
12 tractor shall be liable to the United States on account of any
13 amounts paid thereon except for his own fraud.

14 (c) Any contracting agency may exercise supervision
15 or control over payments to war contractors on account of
16 termination claims of subcontractors of such war contractors
17 to such extent and in such manner as it deems necessary or
18 desirable for the purpose of assuring the receipt of the benefit
19 of such payments by the subcontractors.

20 (d) The Director shall prescribe policies and methods
21 for the settlement as a group, or otherwise, by any contract-
22 ing agency of some or all of the termination claims of a war
23 contractor under war contracts with one or more (1) bureaus
24 or divisions within a contracting agency, (2) contracting
25 agencies, or (3) prime contractors and subcontractors, to

1 the extent he deems such action necessary or desirable for
2 expeditious and equitable settlement of such claims. After
3 consulting with the contracting agencies concerned, the Di-
4 rector may provide for assigning any war contractor to a
5 contracting agency for such settlement, and such agency shall
6 have authority to settle, on behalf of any other contracting
7 agency, some or all of the termination claims of such war
8 contractor.

9 (e) Any contracting agency may settle directly termina-
10 tion claims of subcontractors to the extent that it deems
11 such action necessary or desirable for the expeditious and
12 equitable settlement of such claims. In making such termi-
13 nation settlements any contracting agency may discharge
14 the claim of the subcontractor by payment or may purchase
15 such claim, and may agree to assume, or indemnify the sub-
16 contractor against, any claims by any person in connection
17 with such claim or the termination settlement. Any con-
18 tracting agency undertaking to settle the termination claim
19 of any subcontractor shall deliver to the subcontractor and
20 the war contractor liable to him written notice stating its
21 acceptance of responsibility for settling his claim and the con-
22 ditions applicable thereto, which may include the release
23 or assignment to the contracting agency, of his claim against
24 the war contractor liable to him; upon consent thereto by
25 the subcontractor, the Government shall become liable for

1 the settlement of his claims upon the conditions specified in
2 the notice.

3 (f) Any contracting agency may make settlements with
4 subcontractors in accordance with any of the provisions of
5 this Act without regard to any limitation on the amount pay-
6 able by the Government to the prime contractor.

7 (g) If any contracting agency determines that in the
8 circumstances of a particular case equity and good con-
9 science require fair compensation for the termination of a war
10 contract to be paid to a subcontractor who has been deprived
11 of and cannot otherwise reasonably secure such fair compen-
12 sation, the contracting agency concerned may pay such com-
13 pensation to him although such compensation already has
14 been included and paid as part of a settlement with another
15 war contractor.

16 INTERIM FINANCING

17 SEC. 8. (a) It is the policy of the Government, and it
18 shall be the responsibility of the contracting agencies and the
19 Director, in accordance with and subject to the provisions
20 of this Act, to provide war contractors having any termina-
21 tion claim or claims, pending their settlement, with adequate
22 interim financing, within thirty days after proper application
23 therefor.

24 (b) Each contracting agency shall, to the greatest ex-
25 tent it deems practicable, make available interim financing

1 through loans and discounts, and commitments and guar-
2 anties in connection therewith, in contemplation of or related
3 to termination of war contracts. Where interim financing is
4 made by advance payments or partial payments, it shall, inso-
5 far as practicable, consist of the following:

6 (1) An amount equal to 100 per centum of the amount
7 payable, at the contract price, on account of acceptable items
8 completed prior to the termination date under the terms of
9 the contract, or completed thereafter with the approval of the
10 contracting agency; plus

11 (2) An amount equal to 90 per centum of the cost of
12 raw materials, purchased parts, supplies, direct labor, and
13 manufacturing overhead allocable to the terminated part of
14 the war contract; plus

15 (3) A reasonable percentage of other allowable costs,
16 including administrative overhead, allocable to the terminated
17 war contract not included in the foregoing; plus

18 (4) Such additional amounts, if any, as the contracting
19 agency deems necessary or desirable in the public interest.

20 (5) In lieu of the costs referred to in clauses (2) and
21 (3) of this subsection, where a detailed ascertainment of such
22 costs is not suitable to the conditions of any war contractor
23 and is apt to cause delay in the obtaining of interim financing
24 by him, that portion of such interim financing shall be equal
25 to an amount not greater than 90 per centum of the estimated

1 costs which are allocable to the terminated part or parts of
2 the war contract or group of war contracts, and are ascer-
3 tained in accordance with such methods and standards as the
4 Director shall prescribe.

5 (6) There shall be deducted from the amount of such
6 interim financing any unliquidated balances of advance and
7 partial payments theretofore made to such war contractor,
8 which are allocable to the terminated war contract or the
9 terminated part of the war contract.

10 (c) The Director shall prescribe (1) the types of esti-
11 mates, certificates, or other evidence to be required to support
12 such interim financing; (2) the terms and conditions upon
13 which such interim financing shall be made including the use
14 of standard forms for agreements with respect to such interim
15 financing to the extent practicable; (3) the classes of cases
16 in which such interim financing shall be refused; and (4)
17 such methods of supervision and control over such interim
18 financing as he deems necessary or desirable to assure ade-
19 quate and speedy interim financing to subcontractors of the
20 war contractor.

21 (d) Whenever he deems such action necessary or desir-
22 able to protect the Government's interest, the Director may
23 prescribe such penalties as he deems proper for any overstate-
24 ment by any war contractor of the amount due on his termina-
25 tion claim or claims in connection with any interim financing

1 under this Act, but no such penalty shall exceed 6 per centum
2 per annum on the amount of such overstatement. Any
3 such penalty may be deducted from any amounts due the
4 war contractor upon such termination claim or claims, or
5 otherwise, or may be collected from the war contractor by
6 suit. The obligation to pay any such penalty and to repay
7 any interim financing made or assumed by the United States
8 under this Act shall constitute a debt due to the United States
9 within the meaning of Revised Statutes, section 3466 (31
10 U. S. C., sec. 191).

11 (e) Any contracting agency may allow any advance
12 payments, previously made or authorized by it in connec-
13 tion with the performance of a war contract, to be used
14 for payments and expenses related to the termination settle-
15 ment of such contract, upon such terms and conditions as it
16 deems necessary or appropriate to protect the interest of
17 the Government.

18 (f) No interim financing shall be made by any contract-
19 ing agency under this Act unless the terms of such financing
20 provide for the liquidation by the war contractor of all
21 loans, discounts, advance payments, or partial payments
22 thereunder not later than the time of final payment of the
23 amount due on the settlement of the termination claim or
24 claims of the war contractor involved or such time there-

1 after as the contracting agency deems necessary for the
2 liquidation of such interim financing in an orderly manner.

3 (g) Any contracting agency may settle, upon such terms
4 and conditions as it deems proper, any claim or obligation due
5 by or to the Government arising from or related to any in-
6 terim financing made, acquired, or authorized by it. Any
7 interim financing made, acquired, or authorized by any con-
8 tracting agency before the effective date of this Act shall be
9 valid to the extent it would be authorized under the provisions
10 of this Act if made after its effective date.

11 SEC. 9. (a) Any contracting agency may make advance
12 or partial payments to any war contractor on account of
13 any termination claim or claims, and may authorize, ap-
14 prove, or ratify any such advance or partial payments by
15 any war contractor to his subcontractors, upon such condi-
16 tions as it deems necessary to insure compliance with the
17 provisions of subsection (b) of this section. Each contract-
18 ing agency shall make final payments from time to time on
19 partial settlements or on settlements fixing a minimum
20 amount due before complete settlement, or as tentative pay-
21 ments before any settlement of the claim or claims.

22 (b) Where any such advance or partial payment is
23 made to any war contractor by any contracting agency or
24 by another war contractor under this section, except a final
25 payment on a partial settlement, any amount in excess of

1 the amount finally determined to be due on the termination
2 claim shall be treated as a loan from the Government to
3 the war contractor receiving it, and shall be payable upon
4 demand together with a penalty computed at the rate of
5 6 per centum per annum, for the period from the date such
6 excess advance or partial payment is received to the date
7 on which such excess is repaid or extinguished. Where the
8 advance or partial payment was made by a war contractor
9 and authorized, approved, or ratified by any contracting
10 agency, the war contractor making it shall not be liable for
11 any such excess payment in the absence of fraud on his part
12 and shall receive payment or credit from the Government
13 for the amount of such excess payment.

14 SEC. 10. (a) Any contracting agency is authorized—

15 (1) to enter into contracts with any Federal Re-
16 serve bank, or other public or private financing institu-
17 tion, guaranteeing such financing institution against loss
18 of principal or interest on loans, discounts, or advances
19 or on commitments in connection therewith, which such
20 financing institution may make to any war contractor
21 or to any person who is or has been engaged in perform-
22 ing any operation deemed by such contracting agency
23 to be connected with or related to war production, for
24 the purpose of financing such war contractor or other
25 person in connection with or in contemplation of the

1 termination of one or more such war contracts or opera-
2 tions;

3 (2) to make, enter into contracts to make, or to
4 participate with any Government agency, any Federal
5 Reserve bank or public or private financing institution
6 in making loans, discounts, or advances, or commitments
7 in connection therewith, for the purpose of financing any
8 such war contractor or other person in connection with
9 or in contemplation of the termination of such war con-
10 tracts or operations.

11 (b) Any such loan, discount, advance, guaranty, or
12 commitment in connection therewith may be secured by
13 assignment of, or covenants to assign, some or all of the
14 rights of such war contractor or other person in connection
15 with the termination of such war contracts or operations, or
16 in such other manner as the contracting agency may pre-
17 scribe.

18 (c) Subject to such regulations as the Board of Gover-
19 nors of the Federal Reserve System may prescribe with the
20 approval of the Director, any Federal Reserve bank is au-
21 thorized to act, on behalf of the contracting agencies, as fiscal
22 agent of the United States in carrying out the purposes of
23 this Act.

24 (d) This section shall not limit or affect any authority
25 of any contracting agency, under any other statute, to make

1 loans, discounts, or advances, or commitments in connection
2 therewith or guaranties thereof.

3 ADVANCE NOTICE

4 SEC. 11. (a) In order to facilitate the efficient use of
5 materials, manpower, and facilities for war and civilian pur-
6 poses, each contracting agency—

7 (1) shall provide its prime contractors with notice
8 of termination of their prime contracts as far in advance
9 of the cessation of work thereunder as is feasible and
10 consistent with the national security without permitting
11 unneeded production or performance;

12 (2) shall permit the continuation of some or all of
13 the work under a terminated prime contract whenever
14 the agency deems that such continuation will benefit the
15 Government or is necessary to avoid substantial injury
16 to the plant or property.

17 (b) Whenever a contracting agency hereafter directs a
18 prime contractor to cease or suspend all or a substantial part
19 of the work under a prime contract, without terminating the
20 contract, then, unless the contract provides otherwise, (1)
21 the contracting agency shall compensate the contractor for
22 reasonable costs and expenses resulting from such cessation
23 or suspension, and (2) if the cessation or suspension extends
24 for thirty days or more, the contractor may elect to treat it
25 as a termination by delivering written notice of his election

1 so to do to the contracting agency, at any time before the
2 contracting agency directs the prime contractor to resume
3 work under the contract.

4 (c) The Director shall have no authority under this
5 Act to regulate or control the classes of contracts to be
6 terminated by the contracting agencies.

7 REMOVAL AND STORAGE OF MATERIALS

8 SEC. 12 (a) It is the policy of the Government, upon
9 the termination of any war contract, to assure the expeditious
10 removal from the plant of the war contractor of the termina-
11 tion inventory not to be retained or sold by the war con-
12 tractor.

13 (b) Any war contractor may submit to the contracting
14 agency concerned or to any other Government agency desig-
15 nated by the Director, one or more statements showing the
16 materials which such war contractor claims to be termination
17 inventory under one or more war contracts and desires to
18 have removed by the Government. Such statements shall be
19 prepared in such form and detail, shall be submitted in such
20 manner, through the prime contractor or otherwise, and shall
21 be supported by such certificates or other data, as may be
22 prescribed under this Act.

23 (c) Within sixty days after the submission of any such
24 statement by a war contractor, or such shorter period as
25 may be prescribed under this Act, or within such longer period

1 as the war contractor may agree, the Government agency
2 concerned (1) shall arrange, upon such terms and conditions
3 as may be agreed, for the storage by the war contractor on
4 his own premises or elsewhere of all such claimed termination
5 inventory which the war contractor does not retain or dis-
6 pose of, except any part which may be determined not to be
7 allocable to the terminated war contract or contracts, or
8 (2) shall remove from the plant or plants of the war con-
9 tractor all of such claimed termination inventory not retained,
10 disposed of, or stored by the war contractor or determined
11 not to be allocable to the terminated war contract or con-
12 tracts.

13 (d) Upon the failure of the Government so to arrange
14 for storage by the war contractor or to remove any termina-
15 tion inventory within the period specified under subsection
16 (c) of this section, the war contractor, subject to regulations
17 prescribed under this Act, may remove some or all of such
18 termination inventory from his plant or plants and may
19 store it on his own premises or elsewhere for the account
20 and at the risk and expense of the Government, using reason-
21 able care for its transportation and preservation. If any
22 war contractor intends so to remove any claimed termination
23 inventory, he shall deliver to the Government agency con-
24 cerned written notice of the date fixed for removal and a state-
25 ment showing the quantities and condition of the materials

1 so to be removed, certified on behalf of the war contractor
2 to have been prepared in accordance with a concurrent
3 physical inventory of such materials. Such notice and state-
4 ment shall be delivered at least twenty days in advance of
5 the date fixed for removal and may be delivered before or
6 after the expiration of the period specified under subsection
7 (c) of this section. If the Government agency fails to check
8 such materials, at or before the time of their removal by
9 the war contractor, a certificate of the war contractor specify-
10 ing the materials shown on such statement which were so
11 removed, and filed with the Government agency concerned
12 within thirty days after the date fixed for removal, shall
13 constitute prima facie evidence against the United States as
14 to the quantities and condition of the material so removed,
15 and the fact of their removal.

16 (e) Notwithstanding any other provisions of law, but
17 subject to subsection (h) of this section, the contracting
18 agency concerned or the Director, or any Government agency
19 designated by him, on behalf of the United States, may, by
20 the exercise of any contract rights or otherwise, acquire and
21 take possession of any termination inventory of any war con-
22 tractor, and any materials removed by the Government or
23 stored for its account under subsections (c) and (d) of this
24 section, even if such materials are finally determined not
25 to constitute termination inventory. With respect to any

1 such materials, the Government shall be liable to any war
2 contractor concerned only for their return to such war
3 contractor or for their disposal value at the time of their
4 removal or for the proceeds realized by the Government from
5 their disposal, at the election of the Government agency con-
6 cerned, unless the Government agency and the war contractor
7 agree or have agreed on a different basis. Any amount so
8 paid or payable to a war contractor for materials allocable
9 to a terminated war contract shall be credited against the
10 termination claim under such contract but shall not other-
11 wise affect the amount due on the claim, unless the Govern-
12 ment agency concerned and the war contractor agree or have
13 agreed otherwise. Any materials to which the Director takes
14 title under this section shall be delivered for disposal to any
15 appropriate Government agency authorized to make such
16 disposal.

17 (f) No contracting agency shall postpone or delay any
18 termination settlement beyond the period specified in subsec-
19 tion (c) of this section for the purpose of awaiting disposal
20 by the war contractor or the Government of any termination
21 inventory reported in accordance with subsection (b) of this
22 section.

23 (g) Whenever any war contractor no longer requires,
24 for the performance of any war contract, any Government-

1 owned machinery, tools, or equipment installed in his plant
2 for the performance of one or more war contracts, the Gov-
3 ernment agency concerned, upon written demand by the war
4 contractor, and within sixty days after such demand or such
5 other period as may be prescribed under this Act, and upon
6 such conditions as may be so prescribed, shall remove or pro-
7 vide for the removal of such machinery, tools, or equipment
8 from such plant, unless the Government agency concerned
9 and the war contractor, by facilities contract or otherwise,
10 have made or make other provision for the retention, storage,
11 maintenance, or disposition of such machinery, tools, or equip-
12 ment. The Government agency concerned may waive or
13 release on behalf of the United States any obligation of the
14 war contractor with respect to such machinery, tools, or
15 equipment upon such terms and conditions as the agency
16 deems appropriate. Upon the failure of the Government so
17 to remove or provide for removal of any such machinery,
18 tools, or equipment, the war contractor, subject to regulations
19 prescribed under this Act, may remove all or part of such
20 machinery, tools, or equipment from his plant and may store
21 it on his own premises or elsewhere, for the account and
22 at the risk and expense of the Government, using reasonable
23 care for its transportation and preservation.

24 (h) Nothing in this Act shall limit or affect the author-
25 ity of the War Department, Navy Department, or Maritime

1 Commission, respectively, to take over any termination in-
2 ventories and to retain them for their use for any purpose
3 or to dispose of such termination inventories for the purpose
4 of war production, or to authorize any war contractor to
5 retain or dispose of such termination inventories for the
6 purpose of war production.

7 (i) Nothing in this section shall be construed to prevent
8 the removal and storage of any termination inventory by any
9 war contractor, at his own risk, at any time after termination
10 of any war contract to which it is allocable.

11 APPEAL

12 SEC. 13. (a) Whenever the contracting agency respon-
13 sible for settling any termination claim has not settled the
14 claim by agreement or has so settled only a part of the
15 claim, (1) the contracting agency at any time may deter-
16 mine the amount due on such claim or such unsettled part,
17 and prepare written findings indicating the basis of the
18 determination, and deliver a copy of such findings to the
19 war contractor, or (2) if the termination claim has been
20 submitted in the manner and substantially the form pre-
21 scribed under this Act, the contracting agency, upon
22 written demand by the war contractor for such findings,
23 shall determine the amount due on the claim or unsettled
24 part and prepare and deliver such findings to the war
25 contractor within ninety days after the receipt by the

1 agency of such demand. In preparing such findings, the
2 contracting agency may require the war contractor to
3 furnish such information and to submit to such audits as
4 may be reasonably necessary for that purpose. Within
5 thirty days after the delivery of any such findings, the
6 contracting agency shall pay to the war contractor at least
7 90 per centum of the amount thereby determined to be due,
8 after deducting the amount of any outstanding interim
9 financing applicable thereto.

10 (b) Whenever any war contractor is aggrieved by the
11 findings of a contracting agency on his claim or part thereof
12 or by its failure to make such findings in accordance with
13 subsection (a) of this section, he may, at his election—

14 (1) appeal to the Appeal Board in accordance
15 with subsection (d) of this section; or

16 (2) bring suit against the United States for such
17 claim or such part thereof, in the Court of Claims or in a
18 United States district court, in accordance with sub-
19 section (20) of section 24 of the Judicial Code (28
20 U. S. C. 41 (20)), except that, if the contracting
21 agency is the Reconstruction Finance Corporation, or
22 any corporation organized pursuant to the Reconstruc-
23 tion Finance Corporation Act (47 Stat. 5), as amended,
24 the suit shall be brought against such corporation in any

1 court of competent jurisdiction in accordance with exist-
2 ing law.

3 (c) Any proceeding under subsection (b) of this sec-
4 tion shall be governed by the following conditions:

5 (1) When any contracting agency provides a proce-
6 dure within the agency for protest against such findings
7 or for other appeal therefrom by the war contractor, the
8 war contractor, before proceeding under subsection (b) of
9 this section, (i) in his discretion may resort to such pro-
10 cedure within the time specified in his contract or,
11 if no time is specified, within thirty days after the
12 delivery to him of the findings; and (ii) shall resort
13 to such procedure for protest or other appeal to the ex-
14 tent required by the Director, but failure of the contract-
15 ing agency to act on any such required protest or appeal
16 within thirty days shall operate as a refusal by the agency
17 to modify its findings. Any revision of the findings by
18 the contracting agency, upon protest or appeal within
19 the agency, shall be treated as the findings of the agency
20 for the purpose of appeal or suit under subsection (b)
21 of this section. Notwithstanding any contrary provision
22 in any war contract, no war contractor shall be required
23 to protest or appeal from such findings within the con-

1 tracting agency except in accordance with this para-
2 graph.

3 (2) A war contractor may initiate proceedings in
4 accordance with subsection (b) of this section (i) within
5 ninety days after delivery to him of the findings by the
6 contracting agency, or (ii) in case of protest or appeal
7 within the agency, within ninety days after the determi-
8 nation of such protest or appeal, or (iii) in case of fail-
9 ure to deliver such findings, within one year after his
10 demand therefor. If he does not initiate such proceed-
11 ings within the time specified, he shall be precluded there-
12 after from initiating any proceedings in accordance with
13 subsection (b) of this section, and the findings of the con-
14 tracting agency shall be final and conclusive, or if no
15 findings were made, he shall be deemed to have waived
16 such termination claim.

17 (3) Notwithstanding any contrary provision in any
18 war contract, the Appeal Board or court shall not be
19 bound by the findings of the contracting agency, but
20 shall treat such findings as *prima facie* correct, and the
21 burden shall be on the war contractor to establish that
22 the amount due on his claim or part thereof exceeds
23 the amount allowed by the findings of the contracting
24 agency. Whenever the Appeal Board or court finds that
25 the war contractor failed to negotiate in good faith with

1 the contracting agency for the settlement of his claim or
2 part thereof before appeal or suit thereon, or failed to
3 furnish to the agency any information reasonably re-
4 quested by it regarding his termination claim or part
5 thereof, or failed to prosecute diligently any protest or
6 appeal required to be taken under subsection (c) (1)
7 (ii) of this section, the Appeal Board or court (i) may
8 refuse to receive in evidence any information not sub-
9 mitted to the contracting agency; (ii) may deny in-
10 terest on the claim or part thereof for such period as
11 it deems proper; or (iii) may remand the case to the
12 contracting agency for further proceedings upon such
13 terms as the Appeal Board or court may prescribe.
14 Unless the case is remanded, the Appeal Board or
15 court shall enter the appropriate award or judg-
16 ment on the basis of the law and facts, and may
17 increase or decrease the amount allowed by the findings
18 of the contracting agency.

19 (4) When a war contractor has initiated such pro-
20 ceedings by one method under subsection (b) of this
21 section, he shall be precluded from initiating proceedings
22 on the same claim by any other method.

23 (5) Any such proceedings shall not affect the
24 authority of the contracting agency concerned to make
25 a settlement of the termination claim, or any part thereof,

1 by agreement with the war contractor at any time before
2 such proceedings are concluded.

3 (d) (1) The Director shall appoint an Appeal Board,
4 composed of such number of members as he deems necessary
5 from time to time to hear appeals under this section. He
6 shall, without regard to the provisions of the civil-service laws
7 and the Classification Act of 1923, appoint and fix the com-
8 pensation and term of office of the members of the Appeal
9 Board.

10 (2) Panels of one or more members may act for the
11 Appeal Board and shall sit from time to time in localities
12 throughout the country, reasonably convenient for war con-
13 tractors having proceedings before them. A panel of one
14 member of the Appeal Board may hear any appeal when-
15 ever (i) the amount in controversy in the appeal is \$25,000
16 or less; or (ii) the amount in controversy exceeds \$25,000,
17 but the war contractor taking the appeal fails to demand a
18 panel of three members at the time of filing his appeal. A
19 decision of the Appeal Board or of any panel thereof shall
20 be final and conclusive and shall not be subject to review
21 by any court or other agency.

22 (3) The Director or, if authorized by him, the Appeal
23 Board shall prescribe the practice and procedure to govern
24 proceedings for the Appeal Board. The Appeal Board or
25 any panel thereof shall have power to administer oaths to

1 witnesses and to compel by subpoena the attendance of wit-
2 nesses, and the production of books, papers, documents, and
3 other records. All provisions of law (including penalties
4 and provisions relating to self-incrimination) applicable with
5 respect to subpoenas issued under the Federal Trade Com-
6 mission Act shall be applicable with respect to subpoenas issued
7 by the Appeal Board insofar as such provisions are not
8 inconsistent with the provisions of this Act.

9 (e) The contracting agency responsible for settling any
10 claim and the war contractor asserting the claim, by agree-
11 ment, may submit all or any part of the termination claim
12 to arbitration, without regard to the amount in dispute.
13 Such arbitration proceedings shall be governed by the provi-
14 sions of the United States Arbitration Act. Any such arbi-
15 tration award shall be final and conclusive upon the United
16 States to the same extent as a settlement by agreement
17 under subsection (b) of section 6.

18 (f) Whenever any dispute exists between any war
19 contractor and a subcontractor regarding any termination
20 claim, either of them, by agreement with the other, may
21 submit the dispute—

22 (1) to the Appeal Board in accordance with sub-
23 section (d) of this section;

24 (2) to a contracting agency for mediation or arbi-

1 tration whenever authorized by the agency or required
2 by the Director.

Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

7 COURT OF CLAIMS

SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

(b) The Attorney General, under such rules as the Court of Claims shall prescribe, may cause any and all persons with legal capacity to sue and be sued, wherever located, actually to be notified, or on specific order of the court, to be notified by publication, and if within the jurisdiction of the United States, at the discretion of the Attorney General, to be served with subpoena, to appear as a party or parties in any suit or proceeding of any nature

1 whatsoever pending in said court and to assert and defend
2 their interests, if any, in such suits or proceedings, within
3 such period of time prior to judgment as the Court of Claims
4 shall prescribe. Upon failure so to appear, any and all
5 claims or interests in claims of any such person against the
6 United States, in respect of the subject matter of such suit
7 or proceeding, shall forever be barred and the court shall
8 have jurisdiction to enter judgment pro confesso upon any
9 claim or contingent claim asserted on behalf of the United
10 States against any party who, having been duly served with
11 subpoena, fails to respond thereto, to the same extent and with
12 like effect as if such party had appeared and had admitted
13 the truth of all allegations made on behalf of the United
14 States. Upon appearance by any party pursuant to any
15 such notice or subpoena, the case as to such party shall, for
16 all purposes, be treated as if an independent proceeding had
17 been instituted by such party pursuant to section 145 of the
18 Judicial Code, as amended, and as if such independent pro-
19 ceeding had then been consolidated, for purposes of trial and
20 determination, with the case in respect of which the notice
21 or subpoena was issued, except that the United States shall
22 not be heard upon any counterclaims, claims for damages or
23 other demands whatsoever against such party, other than
24 claims and contingent claims for the recovery of money here-
25 after paid by the United States in respect of the transaction

1 or matter which constitutes the subject matter of such case,
2 unless and until such party shall assert therein a claim, or
3 an interest in a claim, against the United States, and the
4 Court of Claims shall have jurisdiction to adjudicate, as
5 between any and all adverse claimants, their respective
6 several interests in any matter in suit and to award several
7 judgments in accordance therewith.

8 (c) The jurisdiction of the Court of Claims shall not
9 be affected by this Act except to the extent necessary to
10 give effect to this Act, and no party shall recover judg-
11 ment on any claim, or on any interest in any claim,
12 in said court which such party would not have had a right
13 to assert if this section had not been enacted.

14 PERSONAL FINANCIAL LIABILITY

15 SEC. 15. (a) Whenever any payment is made from
16 Government funds to any war contractor or other person
17 as an advance, partial or final payment on any termination
18 claim, or pursuant to any loan, guaranty, or agreement for
19 the purchase of any loan, or any commitment in connection
20 therewith, entered into by the Government, no officer or
21 other Government agent authorizing or approving such pay-
22 ment or settlement, or certifying the voucher for such pay-
23 ment, or making the payment in accordance with a duly
24 certified voucher, shall be personally liable for such pay-
25 ment, in the absence of fraud on his part. In settling the

1 accounts of any disbursing officer the General Accounting
2 Office shall allow any such disbursements made by him not-
3 withstanding any other provisions of law.

4 (b) For the purpose of making termination settlements
5 or interim financing any Government agency is authorized
6 to rely upon such certificates of war contractors as it deems
7 proper and to permit war contractors and other persons to
8 rely upon such certificates without financial liability in the
9 absence of fraud on their part.

10 THE GENERAL ACCOUNTING OFFICE

11 SEC. 16. (a) Any other provision of law notwithstand-
12 ing, the function of the General Accounting Office with
13 respect to any termination settlement made, authorized, rati-
14 fied, or approved by a contracting agency shall be confined
15 to determining, after final settlement, (1) whether the settle-
16 ment payments to the war contractor were made in accord-
17 ance with the settlement, and (2) whether the records trans-
18 mitted to it, or other information, warrant a reasonable belief
19 that the settlement was induced by fraud.

20 (b) Whenever the General Accounting Office believes
21 that any settlement was induced by fraud, the Comptroller
22 General of the United States shall report all of the facts
23 relating thereto to the Director, to the Department of
24 Justice, and to the contracting agency concerned, but
25 shall not suspend or withhold, or direct, or require

1 any contracting agency to suspend or withhold, by
2 set-off or otherwise, any amounts owing to the war con-
3 tractor by the United States under such settlement or
4 otherwise and shall not suspend credit to any disbursing
5 officer for any disbursements made by him under such settle-
6 ment. In any such case the contracting agency on its own
7 initiative may, and upon order of the Director shall, take
8 such action as it deems appropriate to recover or withhold
9 payments to such war contractor.

10 (c) The Comptroller General may investigate the settle-
11 ments completed by each contracting agency for the purpose
12 of reporting to the Congress from time to time on—

13 (1) whether the settlement methods and procedures
14 employed by such agency are of a kind and type de-
15 signed to result in expeditious and fair settlements in
16 accordance with and subject to the provisions of this Act
17 and the orders and regulations of the Director;

18 (2) whether such methods and procedures are fol-
19 lowed by such agency with care and efficiency; and

20 (3) whether such methods and procedures ade-
21 quately protect the interest of the Government.

22 If in any such report the Comptroller General shall find
23 that the settlement methods and procedures fail to meet the
24 foregoing standards, he shall make suggestions and recom-
25 mendations to such agency for the improvement of such

1 methods and procedures and to the Congress for any addi-
2 tional legislation needed to carry out the policies of this Act.
3 At least thirty days before filing any such report with the
4 Congress, the Comptroller General shall deliver a copy
5 thereof to the agency concerned and the Director, and shall
6 forward to the Congress together with such report any com-
7 ments of such agency with respect thereto.

8 (d) The jurisdiction of the Comptroller General of the
9 United States shall not be affected by this Act except to the
10 extent necessary to give effect to the specific provisions thereof.

11 DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

12 SEC. 17. (a) Where any person has arranged to fur-
13 nish or furnished to a contracting agency or to a war con-
14 tractor any materials, services, or facilities related to the
15 prosecution of the war, without a valid contract, relying in
16 good faith upon the apparent authority of an officer or
17 agent of a contracting agency, written or oral instructions,
18 or any other request to proceed from a contracting agency,
19 the contracting agency shall pay such person fair compen-
20 sation therefor.

21 (b) Whenever any formal or technical defect or omission
22 in any prime contract, or in any grant of authority to an
23 officer or agent of a contracting agency who ordered any ma-
24 terials, services, and facilities might invalidate the contract
25 or commitment, the contracting agency (1) shall not take

1 advantage of such defect or omission; (2) shall amend, con-
2 firm, or ratify such contract or commitment without consider-
3 ation in order to cure such defect or omission; and (3) shall
4 make a fair settlement of any obligation thereby created or
5 incurred by such agency, whether expressed or implied, in
6 fact or in law, or in the nature of an implied or quasi
7 contract.

8 (c) Where a contracting agency fails to settle by agree-
9 ment any claim asserted under this section, the dispute shall
10 be subject to the provisions of section 13 of this Act.

11 (d) The Director shall require each contracting agency
12 to formalize all such obligations and commitments within
13 such period as the Director deems appropriate.

14 RECORDS, FORMS, AND REPORTS

15 SEC. 18. (a) The Director shall establish policies for
16 such supervision and review within the contracting agencies
17 of termination settlements and interim financing as he deems
18 necessary and appropriate to prevent and detect fraud and
19 to assure uniformity in administration and to provide for
20 expeditious settlements. For this purpose he shall prescribe
21 (1) such records to be prepared by the contracting agencies
22 and by war contractors as he deems necessary in connection
23 with such settlements and interim financing; and (2) the
24 records in connection therewith to be transmitted to the Gen-
25 eral Accounting Office. He shall seek to reduce the amount

1 of record keeping, reporting, and accounting in connection
2 with the settlement of termination claims and interim financ-
3 ing to the minimum compatible with the reasonable protec-
4 tion of the public interest. Each contracting agency shall
5 prescribe forms for use by war contractors in connection with
6 termination settlements and interim financing to the extent
7 it deems necessary and feasible.

8 (b) The Director shall require the Government agencies
9 performing functions under this Act to prepare such infor-
10 mation and reports regarding terminations of war contracts,
11 settlements of termination claims, and interim financing, as
12 he deems necessary to assist him in appraising their oper-
13 ations or to assist him or other Government agencies in
14 performing their functions under this Act, and may pre-
15 scribe the terms and conditions upon which such information
16 and reports shall be made available to other Government
17 agencies. The Director may require any Government agency
18 to furnish such information under its control as he deems
19 necessary for the performance of his functions under this Act,
20 but any such agency, in its discretion, may furnish any such
21 information deemed by it to affect the national security only
22 to the Director himself.

23 (c) The Director, by regulation, shall provide for
24 making available to any interested Government agency
25 such advance notice and other information on cut-

1 backs in war production resulting from terminations or
2 failures to renew or extend war contracts, as he deems neces-
3 sary and appropriate.

4 (d) The Director shall make such investigations as he
5 deems necessary or desirable in connection with termination
6 settlements and interim financing. For this purpose he may
7 utilize the facilities of any existing agencies and if he deter-
8 mines that the facilities of existing agencies are inadequate, he
9 may establish a unit in the Office of Contract Settlement to
10 supplement and facilitate the work of existing agencies. He
11 shall report to the Department of Justice any information
12 received by him indicating any fraudulent practices, for
13 appropriate action.

14 PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

15 SEC. 19. (a) It shall be unlawful for any person will-
16 fully to secrete, mutilate, obliterate, or destroy, or cause to
17 be secreted, mutilated, obliterated, or destroyed—

18 (i) any records of a war contractor relating to the
19 negotiation, award, performance, payment, interim
20 financing, cancelation or other termination, or settlement
21 of a war contract of \$25,000 or more; or

22 (ii) any records of a war contractor and any pur-
23 chaser relating to any disposition of termination inven-
24 tory in which the consideration received by any war
25 contractor or any Government agency is \$5,000 or more,

1 until (1) five years after such disposition of termination
2 inventory by such war contractor or Government agency, or
3 (2) five years after the final settlement of such war contract,
4 or (3) five years after the termination of hostilities in the
5 present war as proclaimed by the President or by a concur-
6 rent resolution of the two Houses of Congress, whichever
7 applicable period is longer.

8 As used in this subsection, the term "records" includes,
9 but is not limited to, books, ledgers, checks and check stubs, pay-
10 roll data, vouchers, memoranda, correspondence, inspection
11 reports and certificates. Any corporation violating any pro-
12 vision of this subsection shall be fined not more than \$50,000
13 and any natural person violating any provision of this sub-
14 section shall be fined not more than \$10,000, or imprisoned
15 for not more than five years, or both: *Provided, however,*
16 That the Director, by regulation, may authorize the destruc-
17 tion of such records upon such terms and conditions as he
18 deems appropriate, which may include the making and re-
19 taining of photographs or microphotographs. Photographs
20 or microphotographs of any records made in compliance with
21 such regulations of the Director shall have the same force
22 and effect as the originals thereof would have and shall be
23 treated as originals for the purpose of admissibility in evi-
24 dence.

25 (b) The first section of the Act of August 24, 1942

1 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is
2 amended to read as follows:

3 "The running of any existing statute of limitations ap-
4 plicable to any offense against the laws of the United States
5 (1) involving defrauding or attempts to defraud the United
6 States or any agency thereof whether by conspiracy or not,
7 and in any manner, or (2) committed in connection with
8 the negotiation, procurement, award, performance, payment
9 for, interim financing, cancelation or other termination or
10 settlement, of any contract, subcontract, or purchase order
11 which is connected with or related to the prosecution of the
12 present war, or with any disposition of termination inventory
13 by any war contractor or Government agency, shall be sus-
14 pended until three years after the termination of hostilities
15 in the present war as proclaimed by the President or by a
16 concurrent resolution of the two Houses of Congress.
17 This section shall apply to acts, offenses, or transactions where
18 the existing statute of limitations has not yet fully run, but
19 it shall not apply to acts, offenses, or transactions which are
20 already barred by provisions of existing law."

21 (c) (1) Every person who makes or causes to be made,
22 or presents or causes to be presented to any officer, agent,
23 or employee of any Government agency any claim, bill,
24 receipt, voucher, statement, account, certificate, affidavit, or
25 deposition, knowing the same to be false, fraudulent, or

1 fictitious or knowing the same to contain or to be based
2 on any false, fraudulent, or fictitious statement or entry, or
3 who shall cover up or conceal any material fact, or who
4 shall use or engage in any other fraudulent trick, scheme, or
5 device, for the purpose of securing or obtaining, or aiding
6 to secure or obtain, for any person any benefit, payment,
7 compensation, allowance, loan, advance, or emolument from
8 the United States or any Government agency in connection
9 with the termination, cancelation, settlement, payment, nego-
10 tiation, renegotiation, performance, procurement, or award
11 of a contract with the United States or with any other person,
12 and every person who enters into an agreement, combina-
13 tion, or conspiracy so to do, shall forfeit and refund any such
14 benefit, payment, compensation, allowance, loan, advance,
15 and emolument received as a result thereof and shall in
16 addition pay to the United States the sum of \$2,000 for
17 each such act, and double the amount of any damage which
18 the United States may have sustained by reason thereof,
19 together with the costs of suit.

20 (2) The several district courts of the United States,
21 the District of Columbia, the several district courts of the
22 Territories of the United States, within whose jurisdictional
23 limits the person, or persons, doing or committing such act,
24 or any one of them, resides or shall be found, shall, whereso-
25 ever such act may have been done or committed, have full

1 power and jurisdiction to hear, try, and determine such suit,
2 and such person or persons as are not inhabitants of or found
3 within the district in which suit is brought may be brought
4 in by order of the court to be served personally or by
5 publication or in such other reasonable manner as the court
6 may direct.

7 (d) The provisions of section 35-A of the Criminal
8 Code (18 U. S. C., sec. 80) shall apply to any statement,
9 representation, bill, receipt, voucher, roll, account, claim,
10 certificate, affidavit, or deposition made or used or caused
11 to be made or used for any purpose under this Act or under
12 any regulations pursuant to this Act.

13

GENERAL PROVISIONS

14 SEC. 20. (a) Each contracting agency shall have au-
15 thority, notwithstanding any provisions of law other than
16 contained in this Act, (1) to make any contract necessary
17 and appropriate to carry out the provisions of this Act; (2)
18 to amend by agreement any existing contract, either before or
19 after notice of its termination, on such terms and to such
20 extent as it deems necessary and appropriate to carry out
21 the provisions of this Act; and (3) in settling any termina-
22 tion claim, to agree to assume, or indemnify the war con-
23 tractor against, any claims by any person in connection with
24 such termination claims or settlement. This subsection shall
25 not limit or affect in any way any authority of any contract-

1 ing agency under the First War Powers Act, 1941, or under
2 any other statute.

3 (b) Any contracting agency may prescribe the amount
4 and kind of evidence required to identify any person as a
5 war contractor, or any contract, agreement, or purchase
6 order as a war contract for any of the purposes of this Act.
7 Any determination so made that any person is a war con-
8 tractor, or that any contract, agreement, or purchase order
9 is a war contract, shall be final and conclusive for any of
10 the purposes of this Act.

11 (c) There are hereby authorized to be appropriated
12 such sums as may be necessary for administering the provi-
13 sions of this Act.

14 (d) All policies and procedures relating to termination
15 of war contracts, termination settlements, and interim financ-
16 ing, prescribed by the Director of War Mobilization or any
17 contracting agency, in effect upon the effective date of this
18 Act, and not inconsistent with this Act, shall remain in full
19 force and effect unless and until superseded by the Director
20 in accordance with this Act, or by regulations of the con-
21 tracting agency not inconsistent with this Act or the policies
22 prescribed by the Director.

23 (e) Nothing in this Act shall be deemed to impair or
24 modify any war contract or any term or provision of any
25 war contract or any assignment of any claim under a war

1 contract, without the consent of the parties thereto, if the
2 war contract, or the term, provision, or assignment thereof,
3 is otherwise valid.

4 (f) Any contracting agency shall authorize or direct its
5 officers and employees to advise, aid, and assist war con-
6 tractors in preparing and presenting termination claims, in
7 obtaining interim financing, and in related matters, to such
8 extent as it deems desirable. Any such advice, aid, or
9 assistance shall be treated as part of his official duties and
10 shall not constitute a violation of section 109 of the Criminal
11 Code (18 U. S. C. 198) or of any other law.

12 The Smaller War Plants Corporation is hereby directed—

13 (a) to disseminate information among small busi-
14 ness concerns with respect to interim financing, termina-
15 tion settlements, removal and storage of termination
16 inventories pursuant to the provisions of this Act and
17 the regulations of the Director; and

18 (b) to assist small business concerns in connection
19 with the securing of interim financing and the prepa-
20 ration of applications for such interim financing; the
21 effecting of termination settlements; and the removal
22 and storage of termination inventories, in order to assure
23 that small business concerns receive fair and equitable
24 treatment from prime contractors and intermediate sub-

1 contractors in connection with the termination of war
2 contracts.

3 OTHER FUNCTIONS OF THE DIRECTOR

4 SEC. 21. In addition to his other functions under this
5 Act, the Director shall—

6 (a) promote the training of personnel for termina-
7 tion settlement and interim financing by contracting
8 agencies, war contractors, and financing institutions;

9 (b) collaborate with the Smaller War Plants Cor-
10 poration in protecting the interests of smaller war con-
11 tractors in obtaining fair and expeditious termination
12 settlements and interim financing.

13 (c) promote decentralization of the administration
14 of termination settlements and interim financing by
15 fostering delegation of authority within contracting
16 agencies and to war contractors, to the extent he deems
17 necessary and feasible;

18 (d) consult with war contractors through advisory
19 committees or such other methods as he deems appro-
20 priate.

21 USE OF APPROPRIATED FUNDS

22 SEC. 22. Any contracting agency is authorized—

23 (a) to use for interim financing, the payment of
24 claims, and for any other purposes authorized in this

1 Act any funds which have heretofore been appropriated
2 or allocated or which may hereafter be appropriated or
3 allocated to it, or which are or may become available
4 to it, for such purposes or for the purposes of war
5 production or war procurement;

6 (b) to use any such funds appropriated, allocated,
7 or available to it for expenditures for or in behalf of any
8 other contracting agency for the purposes authorized in
9 this Act;

10 (c) to determine by agreement, joint estimate, or
11 any other method authorized by the Director, the part
12 of any expenditure made pursuant to subsection (b)
13 hereof to be paid by each contracting agency concerned
14 and to make transfers of funds between such contracting
15 agencies accordingly. Transfers of funds between ap-
16 propriations carried upon the books of the Treasury shall
17 be made by the Secretary of the Treasury in accordance
18 with joint requests of the contracting agencies involved.

19 DELEGATION OF AUTHORITY

20 SEC. 23. (a) The Director may delegate any authority
21 and discretion conferred upon him by this Act to any
22 Deputy Director, and may delegate such authority and
23 discretion, upon such terms and conditions as he may pre-
24 scribe, to the head of any Government agency to the extent

1 necessary to the handling and solution of problems peculiar
2 to that agency.

3 (b) The head of any Government agency may delegate
4 any authority and discretion conferred upon him or his
5 agency by or pursuant to this Act to any officer, agent, or
6 employee of such agency or to any other Government agency,
7 and may authorize successive redelegations of such authority
8 and discretion.

9 (c) Any two or more Government agencies may exer-
10 cise jointly any authority and discretion conferred upon each
11 of them individually by or pursuant to this Act.

12 (d) Nothing in this Act shall prevent the Director from
13 exercising any authority conferred upon him by any other
14 statute.

15 APPLICABILITY

16 SEC. 24. (a) This Act shall become effective twenty
17 days after the date of its enactment. The provisions of para-
18 graphs (b), (c), (d), and (e), of section 12, and of sections
19 6, 7, 8, 9, 10, and 13 shall not be applicable in the case of
20 any terminated war contract which has been finally settled at
21 or before the effective date of this Act.

22 (b) Nothing in this Act shall limit or affect any author-
23 ity conferred by the Act of March 11, 1941 (55 Stat. 31),
24 as amended, or Acts supplemental thereto.

1 SEC. 25. Subject to policies prescribed by the Director,
2 any contracting agency may exempt from some or all of the
3 provisions of this Act (a) any war contract made or to be
4 performed outside the continental limits of the United States
5 or in Alaska, or (b) any termination inventory situated
6 outside of the continental limits of the United States or in
7 Alaska, or (c) any modification of a war contract pursuant
8 to its terms for the purpose of changing plans or specifica-
9 tions applicable to the work without substantially reducing
10 its extent.

11 SEPARABILITY OF PROVISIONS

12 SEC. 26. If any provision of this Act, or the application
13 of such provision to any person or circumstance, is held in-
14 valid, the remainder of this Act or the application of such
15 provision to persons or circumstances other than those as to
16 which it is held invalid, shall not be affected thereby.

17 SHORT TITLE

18 SEC. 27. This Act may be cited as the "Contract Settle-
19 ment Act of 1944".

 Passed the Senate May 4 (legislative day, April 12),
1944.

Attest:

EDWIN A. HALSEY,

Secretary.

78TH CONGRESS
2d Session

S. 1718

AN ACT

To provide for the settlement of claims arising from terminated war contracts, and for other purposes.

May 5, 1944

Referred to the Committee on the Judiciary

enough. There must be speedy action which deals with this problem by statutory (and conclusive) action.

The long delay in this action—although our automotive spokesmen have repeatedly appeared before various congressional committees on the subject—is not only seriously affecting contemporary morale but it invites a tragic debacle if the war in any major sector should suddenly end. We would have an unemployment situation—and a depression complex—on our hands, beside which the old "bank holiday" was a tea party.

I cannot state too emphatically that there is nothing more important at this moment than the speedy enactment of legislation to deal swiftly, expeditiously, and conclusively with the termination of war contracts and with the similar clearance of plants so that peacetime reconversion can proceed—to be followed with least possible delay by legislation to care for the disposal of surplus property. This problem is already upon us in marked degree. When the war ends, it will present us with a crisis in this area and in other parts of the country, unparalleled since the Civil War, unless an adequate formula is written now.

I realize that several different committees of the House and Senate have been earnestly laboring with this complex problem for many months. I realize that the answers are not simple. I realize that you both have consistently pushed these efforts. But I also realize that unless there is prompt action—without further delay—we may find ourselves overtaken by a climax in tragedy in the great war-production centers of this State.

So I take the liberty of respectfully urging that something with finality be done about this matter at once. There is nothing more that we can do. We are now at the mercy of Congress. We cannot even plan for reconversion until Congress acts. I speak for Michigan in this respect. The situation is no less pressing in other war production States. I beg of you to get action on this legislation before it is too late.

In this same connection, I am attaching a copy of a concurrent resolution approved at the recent extraordinary session of the Michigan Legislature.

Sincerely,

HARRY F. KELLY,
Governor.

Senate Concurrent Resolution 8

Concurrent resolution memorializing Congress to provide for the prompt settlement of war contracts on termination thereof and for the removal and disposition of Government-owned facilities.

Whereas the manufacturing industry in the State of Michigan has been almost wholly converted to the prosecution of the war; and,

Whereas upon the cessation of hostilities, problems of the most urgent character will arise in connection with the reconversion of manufacturing for peacetime production and the employment of labor in connection therewith; and

Whereas the prompt settlement of war contracts and the removal of governmental supplies, material, and equipment from the manufacturing plants in the shortest possible time is essential to the resumption of peacetime production; and

Whereas unless a solution to these problems is provided for in advance by suitable congressional legislation, serious unemployment will ensue affecting the welfare of the State of Michigan and other sections of the country: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That the Congress of the United States be requested to provide for the prompt settlement of war contracts on termination thereof and for the removal and disposition of Government-

owned facilities, supplies, and materials located within industrial plants so that peacetime production for peacetime employment can be resumed in such plants at the earliest possible moment; and be it further

Resolved, That copies of this resolution be sent to the Senate and House of Representatives of the United States and to the several Members of Congress of the United States representing the State of Michigan.

POSITION OF COMPTROLLER GENERAL ON TERMINATION OF WAR CONTRACTS BILL

Mr. MURRAY. Mr. President, in order to avoid any possibility of mistake or misunderstanding with reference to the position taken by the General Accounting Office or the Comptroller General with respect to Senate bill 1718, which was passed yesterday, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a letter which I have received from Mr. Lindsay C. Warren, the Comptroller General, and my reply to his letter.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

COMPTROLLER GENERAL OF THE
UNITED STATES,
Washington, May 4, 1944.

HON. JAMES E. MURRAY,
United States Senate.

MY DEAR SENATOR: During debate in the Senate yesterday on the bill S. 1718, certain statements were made by you, in response to questions of Senators DAVIS and KILGORE, which did not clearly and completely express to the Senate the position I have consistently taken with respect to legislation for a settlement program for war contract termination claims. I know you did not intend and could not have intended to misstate my position or in any way to mislead the Senators as to that position and as to the effectiveness of the role of the General Accounting Office under the provisions of the bill S. 1718. However, I am afraid misunderstanding may have resulted and I feel I would be lacking in frankness and candor if I should fail to invite your attention to this possibility.

In appearances before and reports to your subcommittee of the Senate Committee on Military Affairs and various committees of the House of Representatives I have consistently expressed the belief, with reasons which I tried to make clear, that the General Accounting Office cannot make any truly effective contribution—worth the cost and effort—to the war contract termination settlement program unless it is given authority to review settlements arranged with contractors by the war contracting agencies before such settlements become final, by agreement or otherwise, and before final payment is made. During almost a year I have given this problem frequent and careful consideration. I have discussed it at length with committees of the Congress, with many representatives of the war contracting agencies, and with many representatives of war contractors. Nothing has occurred to shake my confidence in the soundness of this position.

In my report to you, February 22, 1944, on an earlier draft of the bill, S. 1718, I suggested no specific major amendments to the plan of the bill with respect to including provisions for a review of settlements prior to their finality because I was given to understand that your committee had already determined to approve a bill without provision therefor. In the report I made clear my views in that regard but proposed only a few specific amendments to other parts of the bill.

Section 16 (a) and (b) of the pending bill, although it may have the appearance of giving the General Accounting Office a limited role for the detection of fraud actually does not even do that for the reason that there is no assurance that the records made and made available to the General Accounting Office will be adequate to make possible the detection of fraud.

Section 16 (c) of the pending bill, a new subsection, may give the appearance of imposing upon the General Accounting Office a new and effective duty to perform. Actually it would not do so. It would rather serve to limit the general duties and authority of the General Accounting Office which it now has under sections 312 and 313 of the Budget and Accounting Act, 1921 (42 Stat. 25, 26). I would like, therefore, to urge you to endeavor to have this subsection eliminated from the bill.

I shall appreciate it if you should see fit to ask that this letter be inserted in the RECORD.

With my personal regards,

Sincerely yours,

LINDSAY C. WARREN,
Comptroller General of the United States.

MAY 5, 1944.

HON. LINDSAY WARREN,
The Comptroller General.

MY DEAR COMPTROLLER GENERAL: I have your letter of May 4, 1944, inviting my attention to the possibility that the statements made by me on the floor of the Senate during the debate on the bill S. 1718, in respect to the questions of Senators DAVIS and KILGORE, may result in some misunderstanding.

In order to make certain that your position on the bill S. 1718 be stated correctly, I asked that part VI, Statement by the Comptroller General, of the Report of the War Contracts Subcommittee, dated March 20, 1944, be inserted in the CONGRESSIONAL RECORD, and this passage may be found on pages 3994 and 3995. This passage quotes extensively from your letter addressed to me as chairman of the War Contracts Subcommittee, dated February 22, 1944. In your letter you stated that, while you are still of the view that there should be an independent audit and review of proposed settlements prior to the making of final payment thereunder, nevertheless, "if the Congress, as a matter of public policy, should decide otherwise, I have no objections to offer to the bill S. 1718, except as hereinbefore noted, as it is believed that the provisions of the bill, if properly administered, are adequate to accomplish the announced objective thereof."

A draft of part VI of the report, referred to above, was submitted to you on February 29 with a request for your suggestions for improvements, if it did not "properly reflect the views of your Office." You replied on the same date by letter that "The draft of section submitted fairly and adequately reflects the view of this Office on the matter."

I take it that your position as expressed in your letter of February 22 has remained unchanged.

You further observe that section 16 (a) and (b) of S. 1718 does not give any assurance that the records prepared in connection with contract settlements and made available to the General Accounting Office, will be adequate to make possible the detection of fraud. The bill places the primary responsibility for the prevention and discovery of fraud on the shoulders of the Director of Contract Settlement and the contracting agencies. Section 18 (a) provides specifically that "The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud * * *."

In this connection I would like to refer you also to subsection (c) of section 16, which provides that the "Comptroller Gen-

eral may investigate the settlements completed by each contracting agency for the purpose of reporting to the Congress from time to time on * * *

"(3) Whether such methods and procedures (or the contracting agencies) adequately protect the interest of the Government."

The adequacy of the records to be prepared by the contracting agencies is an important consideration in connection with the question whether the interest of the Government is adequately protected. Should you find that such records are inadequate for the purpose of allowing the General Accounting Office to determine, (1) whether the settlement payments were made in accordance with the settlement, and (2) whether the records transmitted to the General Accounting Office, or other information, warrant a reasonable belief that the settlement was induced by fraud, then this fact should be reported to the Congress in accordance with subsection (c) of section 16.

In connection with your observation that section 16 would serve to limit the general duties and authority of the General Accounting Office, which it now has under sections 312 and 313 of the Budget and Accounting Act, 1921, 42 Stat. 25, 26, I would like to state that there was no intention of so limiting the provisions of the Budget and Accounting Act.

Section 16 (d) specifically provides that "the jurisdiction of the Comptroller General of the United States shall not be affected by this act except to the extent necessary to give effect to the specific provisions thereof."

I believe strongly that the bill as passed by the Senate is not only in keeping with the Budget and Accounting Act but definitely stresses the fact that the General Accounting Office is indispensable as an effective arm of the Congress in connection with investigations of the care and efficiency of the executive branch of the Government in the administration of this legislation.

In answer to your request, I am asking that your letter be inserted into the CONGRESSIONAL RECORD, together with my reply.

With my expression of esteem, I am,
Sincerely yours,

JAMES E. MURRAY,
Chairman, War Contracts Subcommittee.

EXTENSION OF LEND-LEASE ACT

The Senate resumed consideration of the bill (H. R. 4254) to extend for 1 year the provisions of an act to promote the defense of the United States, approved March 11, 1941, as amended.

Mr. BARKLEY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Eastland	Overton
Austin	Ellender	Radcliffe
Bailey	Ferguson	Reed
Ball	George	Revercomb
Bankhead	Gerry	Reynolds
Barkley	Gillette	Russell
Bilbo	Guffey	Shipstead
Bridges	Hatch	Smith
Brooks	Hawkes	Stewart
Burton	Hayden	Taft
Bushfield	Jackson	Thomas, Idaho
Butler	Johnson, Colo.	Thomas, Okla.
Byrd	Langer	Tunnell
Capper	McCarran	Tydings
Caraway	McFarland	Vandenberg
Chavez	McKellar	Wagner
Connally	Maybank	Weeks
Cordon	Millikin	Wheeler
Danaher	Murdock	White
Davis	Murray	Wilson
Downey	O'Mahoney	

Mr. BARKLEY. I announce that the Senator from Washington [Mr. BONE], the Senator from Virginia [Mr. GLASS],

and the Senator from New Jersey [Mr. WALSH] are absent from the Senate because of illness.

The Senator from Utah [Mr. THOMAS] has been appointed by the President of the United States as a delegate to attend the International Labor Organization Conference in Philadelphia, and is, therefore, necessarily absent.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are absent on official business for the Special Committee to Investigate the National Defense Program.

The Senator from Connecticut [Mr. MALONEY] and the Senator from New York [Mr. MEAD] are members of the committee to visit the Coast Guard Academy, and are therefore necessarily absent.

The Senator from Nevada [Mr. SCRUGHAM] is absent on official business.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], the Senator from Missouri [Mr. CLARK], the Senator from Rhode Island [Mr. GREEN], the Senator from Alabama [Mr. HILL], the Senator from West Virginia [Mr. KILGORE], the Senator from Illinois [Mr. LUCAS], and the Senator from Arkansas [Mr. McCLELLAN] are detained on public business.

The Senator from Massachusetts [Mr. WALSH] and the Senator from Texas [Mr. O'DANIEL] are necessarily absent.

Mr. WHITE. I announce that the Senator from New Hampshire [Mr. TOBEY] is absent because of illness.

The Senator from Vermont [Mr. AIKEN], the Senator from Maine [Mr. BREWSTER], the Senator from Delaware [Mr. BUCK], the Senator from Oregon [Mr. HOLMAN], the Senator from Oklahoma [Mr. MOORE], the Senator from North Dakota [Mr. NYE], the Senator from Wyoming [Mr. ROBERTSON], the Senator from Nebraska [Mr. WHERRY], and the Senator from Indiana [Mr. WILLIS] are necessarily absent.

The Senator from Wisconsin [Mr. WILEY] is absent on official business.

The VICE PRESIDENT. Sixty-two Senators have answered to their names. A quorum is present.

Mr. CONNALLY. Mr. President, I ask the Senator from Maine [Mr. WHITE] if he knows whether there is present any Senator on his side of the aisle who desires to discuss the bill now before the Senate?

Mr. WHITE. I do not know whether any Senator on this side is immediately prepared to do so. However, I understand that a number of Senators on this side of the Chamber desire to talk about the bill, or at least to ask questions about it. I confess that I do not know at the moment of any Senator who is now ready to proceed.

Mr. McKELLAR. Mr. President, will the Senator from Texas yield to me for a moment?

Mr. CONNALLY. I yield.

Mr. McKELLAR. Yesterday the Senator from New Hampshire [Mr. BRIDGES] and the Senator from Illinois [Mr. BROOKS] both expressed a desire to go

over the matter carefully, and each intimated that he would probably speak on the bill, as the Senator from Maine, who was present, knows. I then voiced the hope that if any Senator wanted the matter to go over until Monday it would go over until Monday so they could have every opportunity to examine the report. The Senator from Illinois [Mr. BROOKS] is now in the Chamber. He can answer with respect to what his wishes now are.

Mr. WHITE. Mr. President, I think the report to which the Senator from Tennessee refers brings to the attention of the Members of the Senate a great deal of new matter in connection with the lend-lease program, and I agree with the Senator from Tennessee that if the Senator from Illinois or the Senator from New Hampshire or any other Senators have in mind to make statements with respect to the matter time should be afforded them to do so.

Mr. McKELLAR. I agree with that statement entirely.

Mr. ELLENDER. Mr. President, will the Senator from Texas yield?

Mr. CONNALLY. I yield.

Mr. ELLENDER. I express the hope that the consideration of the bill will go over until Monday. I am wondering if it would be possible for any of us to look over the data which were furnished to the distinguished Senator from Tennessee substantiating the report which he made to the Senate yesterday?

Mr. McKELLAR. Oh, indeed, it would be.

Mr. ELLENDER. I should like to make the same request of the Truman committee. For the past 2 weeks I have consulted with the attorney for the committee, and I was promised a résumé of such action as had been taken up to date by the Truman committee, but up to the moment I have not received that data. For that reason, Mr. President, I hope the consideration of the measure and the vote on it will be postponed until next Monday.

Mr. McKELLAR. Mr. President, will the Senator from Texas yield to me?

Mr. CONNALLY. I yield.

Mr. McKELLAR. There is one other matter to which I think reference should be made. Yesterday afternoon, after the Senate recessed, the Committee on Appropriations discussed the report received from its staff, and it will be seen from an examination of the report that the aggregate amount with respect to the Latin American and South American countries was placed in the RECORD, but the individual amounts for each country were withheld. They are, however, available to any Member of the Senate who may care to see and to use them.

The committee thought that that matter ought to be published in the RECORD. It was then brought out that the War and Navy Departments, and possibly the State Department, and the Foreign Economic Administration, might not want the matter published. I was directed to write a letter to the Departments and to state that the committee, by unanimous vote, expressed its desire to put into the RECORD the entire facts, giving the separate figures with respect to each one of the South and Central American coun-

James

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 2, 1944, for actions of Thursday, June 1, 1944)
(For staff of the Department only)

CONTENTS

A.A.A.; tobacco.....1	Foreign relief.....11	Price control.....12,39,43
Adjournment.....17	G.A.O.....2	Priorities.....47
Appropriations.....2	Health.....21	Purchasing.....8
5,6,7,9,11	Irrigation.....27	Rationing.....12,13,44
Banking and currency....39	Labor, farm.....32	Reclamation.....23
Budget Bureau.....2	Labor standards.....46	Rivers-harbors bill....16
Claims.....8	Land grants.....30	School-lunch program....1
Crop insurance.....22	Land prices.....39	Selective service.....19
Dairy industry.....37	Lands, public.....25	Senate confirmation....2
Debt limit.....4	Latin America.....34	Small business.....26a
Education.....14	Legislative-executive	Sugar.....3
Executive authority.....2	relations.....40	Surplus property.....18
Extension service.....20	Lend-lease.....11	T.V.A.....2,41
Farm income.....39	Minerals.....36	Taxation.....35
Farm Security.....1	Monopolies.....26	Trade.....35
Federal-State relations.35	Organic Act of 1944.....1	Transportation...24,30,42
Flood control.....9	Personnel....2,10,26,28,31	Vehicles.....2
Food distribution.....45	Post-war planning.....18	Veterans.....18,38
Food production.....15,29	24,26a	Wildlife conservation..33

HOUSE

1. ORGANIC ACT OF 1944. The conference report on the Pace bill, H.R. 4278, was ruled out on a point of order raised by Rep. Taber, N. Y., on the basis "that it is beyond the range of the conference" in providing for the availability of Sec. 32 funds until expended (pp. 5253-4). Agreed to Rep. Flannagan's (Va.) amendment providing for the FSA l-g-r-r program for the fiscal year 1945 in the same form in which it had been reported by the conferees (p. 5254). Agreed to Rep. Flannagan's motion to insist upon disagreement to the AAA tobacco item (p. 5254). Agreed to Rep. Flannagan's amendment, as modified by Rep. Hope's (Kans.) amendment, to provide for a school-lunch program for the fiscal year 1945 only (pp. 5254-62). The school-lunch amendment which was agreed to was in the same form as that reported by the conferees except for deletion of "1946" and deletion of the provision to which Rep. Taber had objected.
2. INDEPENDENT OFFICES APPROPRIATION BILL. Agreed to the conference report on this bill, H.R. 4070 and acted upon amendments reported in disagreement (pp. 5262-76). (See Digest 97 for provisions of conference report and amendments in disagreement.) Agreed to Rep. Woodrum's (Va.) motions to insist on disagreement to the Senate amendments relating to Budget Bureau field offices, Legal Examining Unit of CSC, TVA (after rejecting, 24-138, a motion by Rep. Wigglesworth, Mass., to recede and concur), marking and use of Government vehicles (Rep. Woodrum spoke against the amendment), and Senate confirmation of Government employees receiving \$4500 or more (after rejecting a motion by Rep. Case, S. Dak., to make agency heads subject to confirmation). Agreed to Rep. Woodrum's motions to concur in the Senate amendments regarding appropriations for executive-order agencies, with an amendment providing that the effective date shall be Jan. 1, 1945, rather than July 1, 1944 (by a 282-46 vote), and authorizing the Comptroller General to designate a person to act for him in his absence.

3. SUGAR-ACT CONTINUATION. Rules Committee reported a resolution for consideration of H.R. 4833, to continue for two additional years the Sugar Act of 1937 and the taxes relating thereto (pp. 5240, 5281)..
4. DEBT LIMIT. House conferees were appointed on H.R. 4464, to increase the U.S. debt limit (p. 5253). Senate conferees have not yet been appointed.
5. LABOR-FEDERAL SECURITY APPROPRIATION BILL. Passed with amendments this bill, H.R. 4899 (pp. 5243-53).
6. LEGISLATIVE-JUDICIARY APPROPRIATION BILL. House conferees were appointed on this bill, H.R. 4414 (p. 5253). Senate conferees have not yet been appointed.
7. NAVAL APPROPRIATION BILL. Agreed to the conference report on this bill, H.R. 4559, and acted on items reported in disagreement (pp. 5241-3).
8. PURCHASING; CLAIMS. Judiciary Committee reported with amendment S. 1718, to provide for settlement of claims arising from terminated war contracts (H. Rept. 1590) (p. 5281).
9. FLOOD CONTROL; APPROPRIATIONS. Received from the President a supplemental appropriation estimate of \$12,000,000 for War Department emergency flood-control work (H. Doc. 632) (p. 5281).
10. PERSONNEL. Both houses received from the Selective Service Director a report of registrants deferred as of Mar. 15, 1944, because of their Government employment (pp. 5235, 5281). To Military Affairs Committees.
11. LEND-LEASE; UNRRA; FOREIGN ECONOMIC ADMINISTRATION. Rep. Cannon, Mo., announced that the appropriation bill for the above items will probably be taken up today (p. 5276).
12. PRICE CONTROL; RATIONING. Received from the President supplemental appropriation estimates of \$182,252,000 for OPA (H. Doc. 634), and of \$100,000 for Office of Economic Stabilization (H. Doc. 633). To Appropriations Committee..(p.5281.)
13. RATIONING. Rep. Feighan, Ohio, criticized the "evidence of black market dealing in gasoline, food, and other rationed items" in Ohio (p. 5239).
14. EDUCATION. Rep. Harless, Ariz., urged early consideration of legislation providing for Federal aid for education (p. 5280).
Both Houses received Federal Security's 3rd quarterly report on the education and training of defense workers for the period Jan. 1 to Mar. 31, 1944. To House Appropriations Committee (p. 5281) and Senate Education and Labor Committee (p. 5235).
15. FOOD PRODUCTION. Naval Affairs Committee reported with amendment S. 1634, to provide for the management and operation of naval plantations outside the continental U. S. (H. Rept. 1586) (p. 5281).

SENATE

16. RIVERS-HARBORS BILL. Commerce Committee submitted minority views on this bill, H.R. 3961 (H. Rept. 903, pt. 2) (p. 5236).
17. ADJOURNED until Mon., June 5 (p. 5237).

SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS

JUNE 1, 1944.—Committed to the Committee of the Whole House on the state
of the Union and ordered to be printed

Mr. WALTER, from the Committee on the Judiciary, submitted the
following

REPORT

[To accompany S. 1718]

The Committee on the Judiciary, to whom was referred the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, having considered the same, report the bill favorably to the House with an amendment, with the recommendation that, as amended, the bill do pass.

The committee amendment is as follows:

Strike out all of the bill after the enacting clause and insert in lieu thereof the following:

OBJECTIVES OF THE ACT

SECTION 1. The Congress hereby declares that the objectives of this Act are—

(a) to facilitate maximum war production during the war and to expedite reconversion from war production to civilian production as war conditions permit;

(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts and adequate interim financing until such final settlement;

(c) to assure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing;

(d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;

(e) to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;

(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

SURVEILLANCE BY CONGRESS

SEC. 2. (a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act:

(b) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his duties and authority under this Act, the status of contract terminations, termination settlements, and interim financing and such other pertinent information on the administration of the Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

DEFINITIONS

SEC. 3. As used in this Act—

(a) The term "prime contract" means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term "prime contractor" means any holder of one or more prime contracts.

(b) The term "subcontract" means any contract, agreement, or purchase order heretofore or hereafter entered into to perform all or any part of the work, or to make or furnish any material to the extent that such material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term "subcontractor" means any holder of one or more subcontracts.

(c) The term "war contract" means a prime contract or a subcontract; and the term "war contractor" means any holder of one or more war contracts.

(d) The terms "termination", "terminate", and "terminated" refer to the termination or cancellation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

(e) The term "material" includes any article, commodity, machinery, equipment, accessory, part, component, assembly, work in process, maintenance, repair, and operating supplies, and any product of any kind.

(f) The term "Government agency" means any executive department of the Government, or any administrative unit or subdivision thereof, any independent agency or any corporation owned or controlled by the United States in the executive branch of the Government, and includes any contracting agency.

(g) The term "contracting agency" means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board.

(h) The term "termination claim" means any claim or demand by a war contractor for fair compensation for the termination of any war contract and any other claim under a terminated war contract, which regulations prescribed under this Act authorize to be asserted and settled in connection with any termination settlement.

(i) The term "interim financing" includes advance payments, partial payments, loans, discounts, advances, and commitments in connection therewith, and guarantees of loans, discounts, advances, and commitments in connection therewith and any other type of financing made in contemplation of or related to termination of war contracts.

(j) The term "Director" means the Director of Contract Settlement.

(k) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(l) The term "termination inventory" means any materials (including a proper part of any materials common to two or more contracts), properly allocable to a terminated war contract, except any machinery or equipment subject to a separate contract specifically governing the use or disposition thereof.

(m) The term "final and conclusive," as applied to any settlement, finding, or decision, means that such settlement, finding, or decision shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of

the United States or in any suit, action, or proceeding except as provided in this Act.

DIRECTOR OF CONTRACT SETTLEMENT

SEC. 4. (a) There is hereby established the Office of Contract Settlement which shall be headed by the Director of Contract Settlement. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per year, and shall serve for a term of two years.

(b) In order to insure uniform and efficient administration of the provisions of this Act, the Director, subject to such provisions, by general orders or general regulations—

(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this Act; and

(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this Act.

¶ (c) The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this Act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section. Each Government agency shall carry out such orders and regulations of the Director expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary to carry out the policies, principles, methods, procedures, and standards prescribed by the Director. Any Government agency may issue such further regulations not inconsistent with the general orders or regulations of the Director as it deems necessary or desirable to carry out the provisions of this Act.

(d) The Director may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel in accordance with the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this Act. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may employ certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and contract with certified public accounting firms and qualified firms of engineers in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this Act. The Director shall perform the duties imposed upon him through the personnel and facilities of the contracting agencies and other established Government agencies, to the extent that this does not interfere with the function of the Director to insure uniform and efficient administration of the provisions of this Act.

(e) All policies, principles, methods, procedures, and standards when prescribed by the Director pursuant to subsection (b) of this section, and all regulations when issued by any Government agency pursuant to subsection (c) of this section, shall be published in the Federal Register.

CONTRACT SETTLEMENT ADVISORY BOARD

SEC. 5. There is hereby created a Contract Settlement Advisory Board, with which the Director shall advise and consult. The Board shall be composed of the Director, who shall act as its Chairman, and of the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the chairman of the board of directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the chairman of the board of directors of the Smaller War Plants Corporation, and the Attorney General, or any alternate or representative designated by any of them. The Director shall request other Government agencies to participate in the deliberations of the Board whenever matters specially affecting them are under consideration.

SEC. 6. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, to provide war contractors with speedy and fair compensation for the termination of any war contract, in accordance with and subject to the provisions of this Act. Such fair compensation for the termination of subcontracts shall be based on the same principles as compensation for the termination of prime contracts.

(b) Each contracting agency shall establish methods and standards, suitable to the conditions of various war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work under the terminated contract, or on any other equitable basis, as it deems appropriate. To the extent that such methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

(c) Any contracting agency may settle all or any part of any termination claim under any war contract by agreement with the war contractor, or by determination of the amount due on the claim or part thereof without such agreement, or by any combination of these methods. Where any such settlement is made by agreement, the settlement shall be final and conclusive, except (1) to the extent otherwise agreed in the settlement; (2) for fraud; (3) upon renegotiation to eliminate excessive profits under the Renegotiation Act, unless exempt or exempted under that Act; or (4) by mutual agreement before or after payment. Where any such settlement is made by determination without agreement, it shall likewise be final and conclusive, subject to the same exceptions as if made by agreement, unless the war contractor appeals or brings suit in accordance with section 13 of this Act.

(d) Except as provided below, the methods and standards established under subsection (b) of this section for determining fair compensation for termination claims which are not settled by agreement shall allow the costs incurred by the contractor which are reasonably necessary for the performance of the contract, and are properly allocable to the terminated part of the contract under recognized commercial accounting practices, including the direct and indirect manufacturing, selling and distribution, administrative, and other proper costs, and such allowance for profit on the preparations made and work done for the terminated part of the contract as is reasonable under the circumstances, plus interest on the termination claim in accordance with subsection (f) of this section.

In particular, in any such settlement made by determination without agreement, the following costs shall be considered to the extent they are properly allocable to the terminated part of the contract:

(1) The reasonable cost of settling and paying termination claims under terminated subcontracts, including the claims which are common to the terminated contract and to other work of the contractor.

(2) The cost of items of termination inventory.

(3) An allowance for depreciation at appropriate rates on buildings, machinery, and equipment, and other facilities including such amounts for obsolescence due to progress in the arts and other factors as are ordinarily considered in determining depreciation rates, but not including any amount for loss of the type covered by subparagraph (6).

(4) General experimental and research expense to the extent consistent with an established pre-war program, or to the extent related to war purposes.

(5) Costs of engineering and development and of special tooling, if the contractor protects any interests of the Government by transfer of title or by other means deemed appropriate by the contracting agency.

(6) Loss on special facilities acquired solely for the performance of the contract, or the contract and other war contracts, to the extent authorized by regulations of the Director, on condition that the contractor protects the interests of the Government by transfer of title to the facilities or by other means deemed appropriate by the contracting agency.

(7) (i) Rentals under leases clearly shown to have been made for the performance of the contract, or the contract and other war contracts, covering the period necessary for complete performance of the contract and such further period as may have been reasonably necessary; (ii) costs of reasonable alteration of such leased property made for the same purpose; and (iii) costs of restoring the premises, to the extent required by reasonable provisions of the lease; less (iv) the residual value of the lease; provided that the contractor has made reasonable efforts to terminate, assign, or settle such leases or otherwise reduce the cost thereof.

(8) Advertising expense to the extent consistent with a pre-war program or to the extent reasonable under the circumstances.

(9) In no event shall the aggregate of the amounts allowed under paragraphs (4), (5), (6), (7), and (8) exceed the amount which would have been available from the contract price to cover these items, if the contract had been completed, after considering all other costs which would have been required to complete it.

(10) Interest on borrowings.

(11) Reasonable accounting, legal, clerical, and other expenses necessary in connection with the termination and settlement of the contract and subcontracts thereunder, including expenses incurred for the purpose of obtaining payment from the Government only to the extent reasonably necessary for the preparation and presentation of settlement proposals and cost evidence in connection therewith.

(12) Storage, transportation, and other costs incurred for the protection of materials acquired or produced for the contract or in connection with the disposition of such materials.

Costs of nonrecurring nature which arise from unfamiliarity with the product in the initial stages of production, such as high direct labor and overhead costs, including training, costs of excessive rejections, and similar items, shall be appropriately apportioned between the completed and terminated parts of the contract.

The following shall not be included as elements of cost:

(i) Losses on other contracts, or from sales or exchanges of capital assets, fees and other expenses in connection with reorganization or recapitalization, anti-trust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government (except as provided in paragraph (11) above); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

(ii) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

(iii) Expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

(iv) Costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

(v) Costs which, as evidenced by accounting statements submitted in renegotiation under the Renegotiation Act, were charged off during a period covered by a previous renegotiation if a refund was made for such period or to the extent that such charging off is shown to have avoided such refund.

The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (d) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

Where the small size of claims or the nature of production or performance or other factors make it impracticable to apply the principles stated in this subsection (d) to any class of settlements which are subject to this subsection (d), the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims. The aggregate amount of compensation allowed in accordance with this subsection (excluding amounts allowed under paragraphs (11) and (12) above) shall not exceed the total contract price reduced by the amount of payments otherwise made or to be made under the contract.

(e) In order to carry out the objectives of this Act, termination claims shall be settled by agreement to the maximum extent feasible and the methods and standards established under subsection (b) of this section shall be designed to facilitate such settlements. To the extent that he deems it practicable to do so without impeding expeditious settlements, the Director shall require the contracting agencies to take into account the factors enumerated in subsection (d) above in establishing methods and standards for determining fair compensation in the settlement of termination claims by agreement.

(f) Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of $2\frac{1}{2}$ per centum per annum for the period beginning thirty days after the date fixed for termination and ending with the date of final payment, except that (1) if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue for the period of such delay, (2) if interest for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder, and (3) if after delivery of findings by a contracting agency, the contractor appeals or sues as provided in section 13, interest shall not accrue after the thirtieth

day following the delivery of the findings on any amount allowed by such findings, unless such amount is increased upon such appeal or suit. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis and subject to the same conditions as are applicable to a prime contractor.

(g) Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

SEC. 7. (a) Where, in connection with the settlement of any termination claim by a contracting agency, any war contractor makes settlements of the termination claims of his subcontractors, the contracting agency shall limit or omit its review of such settlements with subcontractors to the maximum extent compatible with the public interest. Any contracting agency (1) may approve, ratify, or authorize such settlements with subcontractors upon such evidence, terms, and conditions as it deems proper; (2) shall vary the scope and intensity of its review of such settlements according to the reliability of the war contractor, the size, number, and complexity of such claims, and other relevant factors; and (3) shall authorize war contractors to make such settlements with subcontractors without review by the contracting agency, whenever the reliability of the war contractor, the amount or nature of the claims, or other reasons appear to the contracting agency to justify such action. Any such settlement of a subcontract approved, ratified, or authorized by a contracting agency shall be final and conclusive as to the amount due to the same extent as a settlement under subsection (c) of section 6 of this Act, and no war contractor shall be liable to the United States on account of any amounts paid thereon except for his own fraud.

(b) Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments to the war contractor on account of termination claims of subcontractors of such war contractor to such extent and in such manner as it deems necessary or desirable for the purpose of assuring the receipt of the benefit of such payments by the subcontractors.

(c) The Director shall prescribe policies and methods for the settlement as a group, or otherwise, by any contracting agency of some or all of the termination claims of a war contractor under war contracts with one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. After consulting with the contracting agencies concerned, the Director may provide for assigning any war contractor to a contracting agency for such settlement, and such agency shall have authority to settle, on behalf of any other contracting agency, some or all of the termination claims of such war contractor.

(d) Any contracting agency may settle directly termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. In making such termination settlements any contracting agency may discharge the claim of the subcontractor by payment or may purchase such claim, and may agree to assume, or indemnify the subcontractor against, any claims by any person in connection with such claim or the termination settlement. Any contracting agency undertaking to settle the termination claim of any subcontractor shall deliver to the subcontractor and the war contractor liable to him written notice stating its acceptance of responsibility for settling his claim and the conditions applicable thereto, which may include the release or assignment to the contracting agency, of his claim against the war contractor liable to him; upon consent thereto by the subcontractor, the Government shall become liable for the settlement of his claims upon the conditions specified in the notice.

(e) Any contracting agency may make settlements with subcontractors in accordance with any of the provisions of this Act without regard to any limitation on the amount payable by the Government to the prime contractor.

(f) If any contracting agency determines that in the circumstances of a particular case equity and good conscience require fair compensation for the termination of a war contract to be paid to a subcontractor who has been deprived of and cannot otherwise reasonably secure such fair compensation, the contracting agency concerned may nevertheless pay such compensation to him.

INTERIM FINANCING

SEC. 8. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, in accordance with and subject to the provisions of this Act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within thirty days after proper application therefor.

(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guaranties in connection therewith, in contemplation of or related to termination of war contracts. Where interim financing is made by advance payments or partial payments, it shall, insofar as practicable, consist of the following:

(1) An amount equal to 100 per centum of the amount payable, at the contract price, on account of acceptable items completed prior to the termination date under the terms of the contract, or completed thereafter with the approval of the contracting agency; plus

(2) An amount equal to 90 per centum of the cost of raw materials, purchased parts, supplies, direct labor, and manufacturing overhead allocable to the terminated part of the war contract; plus

(3) A reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated war contract not included in the foregoing; plus

(4) Such additional amounts, if any, as the contracting agency deems necessary to provide the war contractor with adequate interim financing.

(5) In lieu of the costs referred to in clauses (2) and (3) of this subsection, where a detailed ascertainment of such costs is not suitable to the conditions of any war contractor and is apt to cause delay in the obtaining of interim financing by him, that portion of such interim financing shall be equal to an amount not greater than 90 per centum of the estimated costs which are allocable to the terminated part or parts of the war contract or group of war contracts, and are ascertained in accordance with such methods and standards as the Director shall prescribe.

(6) There shall be deducted from the amount of such interim financing any unliquidated balances of advance and partial payments theretofore made to such war contractor, which are allocable to the terminated war contract or the terminated part of the war contract.

(c) The Director shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made including the use of standard forms for agreements with respect to such interim financing to the extent practicable; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speedy interim financing to subcontractors of the war contractor.

(d) The obligation to pay any penalty imposed and to repay any interim financing made or assumed by the United States under this Act shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).

(e) Any contracting agency may allow any advance payments, previously made or authorized by it in connection with the performance of a war contract, to be used for payments and expenses related to the termination settlement of such contract, upon such terms and conditions as it deems necessary or appropriate to protect the interest of the Government.

(f) No interim financing shall be made by any contracting agency under this Act unless the terms of such financing provide for the liquidation by the war contractor of all loans, discounts, advance payments, or partial payments thereunder not later than the time of final payment of the amount due on the settlement of the termination claim or claims of the war contractor involved or such time thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.

(g) Any contracting agency may settle, upon such terms and conditions as it deems proper, any claim or obligation due by or to the Government arising from or related to any interim financing made, acquired, or authorized by it. Any interim financing made, acquired, or authorized by any contracting agency before the effective date of this Act shall be valid to the extent it would be authorized under the provisions of this Act if made after its effective date.

SEC. 9. (a) Any contracting agency may make advance or partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such advance or partial payments, by any war

contractor to his subcontractors, upon such conditions as it deems necessary to insure compliance with the provisions of subsection (b) of this section. Each contracting agency shall make final payments from time to time on partial settlements or on settlements fixing a minimum amount due before complete settlement, or as tentative payments before any settlement of the claim or claims.

(b) Where any such advance or partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, except a final payment on a partial settlement, any amount in excess of the amount finally determined to be due on the termination claim shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand together with a penalty computed at the rate of 6 per centum per annum, for the period from the date such excess advance or partial payment is received to the date on which such excess is repaid or extinguished. Where the advance or partial payment was made by a war contractor and authorized, approved, or ratified by any contracting agency, the war contractor making it shall not be liable for any such excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

SEC. 10. (a) Any contracting agency is authorized—

(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of the termination of one or more such war contracts or operations;

(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.

ADVANCE NOTICE

SEC. 11. (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, each contracting agency—

(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

(2) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

(b) Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for thirty days or more, the contractor may elect to treat it

as a termination by delivering written notice of his election so to do to the contracting agency, at any time before the contracting agency directs the prime contractor to resume work under the contract.

(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies.

REMOVAL AND STORAGE OF MATERIALS

SEC. 12 (a) It is the policy of the Government, upon the termination of any war contract, to assure the expeditious removal from the plant of the war contractor of the termination inventory not to be retained or sold by the war contractor.

(b) Any war contractor may submit to the contracting agency concerned or to any other Government agency designated by the Director, one or more statements showing the materials which such war contractor claims to be termination inventory under one or more war contracts and desires to have removed by the Government. Such statements shall be prepared in such form and detail, shall be submitted in such manner, through the prime contractor or otherwise, and shall be supported by such certificates or other data, as may be prescribed under this Act.

(c) Within sixty days after the submission of any such statement by a war contractor, or such shorter period as may be prescribed under this Act, or within such longer period as the war contractor may agree, the Government agency concerned (1) shall arrange, upon such terms and conditions as may be agreed, for the storage by the war contractor on his own premises or elsewhere of all such claimed termination inventory which the war contractor does not retain or dispose of, except any part which may be determined not to be allocable to the terminated war contract or contracts, or (2) shall remove from the plant or plants of the war contractor all of such claimed termination inventory not retained, disposed of, or stored by the war contractor or determined not to be allocable to the terminated war contract or contracts.

(d) Upon the failure of the Government so to arrange for storage by the war contractor or to remove any termination inventory within the period specified under subsection (c) of this section, the war contractor, subject to regulations prescribed under this Act, may remove some or all of such termination inventory from his plant or plants and may store it on his own premises or elsewhere for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation. If any war contractor intends so to remove any claimed termination inventory, he shall deliver to the Government agency concerned written notice of the date fixed for removal and a statement showing the quantities and condition of the materials so to be removed, certified on behalf of the war contractor to have been prepared in accordance with a concurrent physical inventory of such materials. Such notice and statement shall be delivered at least twenty days in advance of the date fixed for removal and may be delivered before or after the expiration of the period specified under subsection (c) of this section. If the Government agency fails to check such materials, at or before the time of their removal by the war contractor, a certificate of the war contractor specifying the materials shown on such statement which were so removed, and filed with the Government agency concerned within thirty days after the date fixed for removal, shall constitute prima facie evidence against the United States as to the quantities and condition of the material so removed, and the fact of their removal.

(e) Notwithstanding any other provisions of law, but subject to subsection (h) of this section, the contracting agency concerned or the Director, or any Government agency designated by him, on behalf of the United States, may, by the exercise of any contract rights or otherwise, acquire and take possession of any termination inventory of any war contractor, and any materials removed by the Government or stored for its account under subsections (c) and (d) of this section, even if such materials are finally determined not to constitute termination inventory. With respect to any such materials, the Government shall be liable to any war contractor concerned only for their return to such war contractor or for their disposal value at the time of their removal or for the proceeds realized by the Government from their disposal, at the election of the Government agency concerned, unless the Government agency and the war contractor agree or have agreed on a different basis. Any amount so paid or payable to a war contractor for materials allocable to a terminated war contract shall be credited against the termination claim under such contract but shall not otherwise affect the amount due on the claim, unless the Government agency con-

cerned and the war contractor agree or have agreed otherwise. Any materials to which the Director takes title under this section shall be delivered for disposal to any appropriate Government agency authorized to make such disposal.

(f) No contracting agency shall postpone or delay any termination settlement beyond the period specified in subsection (c) of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection (b) of this section.

(g) Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned machinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within sixty days after such demand or such other period as may be prescribed under this Act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provision for the retention, storage, maintenance, or disposition of such machinery, tools, or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this Act, may remove all or part of such machinery, tools, or equipment from his plant and may store it on his own premises or elsewhere, for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation.

(h) Nothing in this Act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any termination inventories and to retain them for their use for any purpose or to dispose of such termination inventories for the purpose of war production, or to authorize any war contractor to retain or dispose of such termination inventories for the purpose of war production.

(i) Nothing in this section shall be construed to prevent the removal and storage of any termination inventory by any war contractor, at his own risk, at any time after termination of any war contract to which it is allocable.

APPEAL

Sec. 13. (a) Whenever the contracting agency responsible for settling any termination claim has not settled the claim by agreement or has so settled only a part of the claim, (1) the contracting agency at any time may determine the amount due on such claim or such unsettled part, and prepare written findings indicating the basis of the determination, and deliver a copy of such findings to the war contractor, or (2) if the termination claim has been submitted in the manner and substantially the form prescribed under this Act, the contracting agency, upon written demand by the war contractor for such findings, shall determine the amount due on the claim or unsettled part and prepare and deliver such findings to the war contractor within ninety days after the receipt by the agency of such demand. In preparing such findings, the contracting agency may require the war contractor to furnish such information and so submit to such audits as may be reasonably necessary for that purpose. Within thirty days after the delivery of any such findings, the contracting agency shall pay to the war contractor at least 90 per centum of the amount thereby determined to be due, after deducting the amount of any outstanding interim financing applicable thereto.

(b) Whenever any war contractor is aggrieved by the findings of a contracting agency on his claim or part thereof or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

(1) appeal to the Appeal Board in accordance with subsection (d) of this section; or

(2) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (28 U. S. C. 41 (20)), except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, or any corporation owned or controlled by the United States, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.

(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

(1) When any contracting agency provides a procedure within the agency for protest against such findings or for other appeal therefrom by the war contractor, the war contractor, before proceeding under subsection (b) of this section, (i) in his discretion may resort to such procedure within the time specified in his contract or, if no time is specified, within thirty days after the delivery to him of the findings; and (ii) shall resort to such procedure for protest or other appeal to the extent required by the Director, but failure of the contracting agency to act on any such required protest or appeal within thirty days shall operate as a refusal by the agency to modify its findings. Any revision of the findings by the contracting agency, upon protest or appeal within the agency, shall be treated as the findings of the agency for the purpose of appeal or suit under subsection (b) of this section. Notwithstanding any contrary provision in any war contract, no war contractor shall be required to protest or appeal from such findings within the contracting agency except in accordance with this paragraph.

(2) A war contractor may initiate proceedings in accordance with subsection (b) of this section (i) within ninety days after delivery to him of the findings by the contracting agency, or (ii) in case of protest or appeal within the agency, within ninety days after the determination of such protest or appeal, or (iii) in case of failure to deliver such findings, within one year after his demand therefor. If he does not initiate such proceedings within the time specified, he shall be precluded thereafter from initiating any proceedings in accordance with subsection (b) of this section, and the findings of the contracting agency shall be final and conclusive, or if no findings were made, he shall be deemed to have waived such termination claim.

(3) Notwithstanding any contrary provision in any war contract, the Appeal Board or court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that the amount due on his claim or part thereof exceeds the amount allowed by the findings of the contracting agency. Whenever the Appeal Board or court finds that the war contractor failed to negotiate in good faith with the contracting agency for the settlement of this claim or part thereof before appeal or suit thereon, or failed to furnish to the agency any information reasonably requested by it regarding his termination claim or part thereof, or failed to prosecute diligently any protest or appeal required to be taken under subsection (c) (1) (ii) of this section, the Appeal Board or court (i) may refuse to receive in evidence any information not submitted to the contracting agency; (ii) may deny interest on the claim or part thereof for such period as it deems proper; or (iii) may remand the case to the contracting agency for further proceedings upon such terms as the Appeal Board or court may prescribe. Unless the case is remanded, the Appeal Board or court shall enter the appropriate award or judgment on the basis of the law and facts, and may increase or decrease the amount allowed by the findings of the contracting agency.

(4) Any such proceedings shall not affect the authority of the contracting agency concerned to make a settlement of the termination claim, or any part thereof, by agreement with the war contractor at any time before such proceedings are concluded.

(d) (1) The Director shall appoint an Appeal Board, composed of such number of members as he deems necessary from time to time to hear appeals under this section. The members of the Appeal Board shall be qualified and experienced attorneys, engineers, accountants, or persons possessing sufficient business experience or professional skill. He shall, without regard to the provisions of the civil-service laws and the Classification Act of 1923, appoint and fix the compensation and term of office of the members of the Appeal Board.

(2) Panels of one or more members may act for the Appeal Board and shall sit from time to time in localities throughout the country, reasonably convenient for war contractors having proceedings before them. A panel of one member of the Appeal Board may hear any appeal whenever (i) the amount in controversy in the appeal is \$25,000 or less; or (ii) the amount in controversy exceeds \$25,000, but the war contractor taking the appeal fails to demand a panel of three members at the time of filing his appeal. If the war contractor is aggrieved by the decision of the Appeal Board or panel (other than an order remanding the case to the contracting agency under subsection (c) (3) (iii) of this section), then within ninety

days after such decision he may bring suit on the claim or unsettled part thereof in accordance with subsection (b) (2) of this section. Such suit shall proceed as if no appeal had been taken under subsection (b) (1) of this section. Upon failure of the war contractor so to sue within such period, the decision of the Appeal Board or panel shall be final and conclusive.

(3) The Director or, if authorized by him, the Appeal Board shall prescribe the practice and procedure to govern proceedings for the Appeal Board. The Appeal Board or any panel thereof shall have power to administer oaths to witnesses and to compel by subpoena the attendance of witnesses, and the production of books, papers, documents, and other records. All provisions of law (including penalties and provisions relating to self-incrimination) applicable with respect to subpoenas issued under the Federal Trade Commission Act shall be applicable with respect to subpoenas issued by the Appeal Board insofar as such provisions are not inconsistent with the provisions of this Act.

(e) The contracting agency responsible for settling any claim and the war contractor asserting the claim, by agreement, may submit all or any part of the termination claim to arbitration, without regard to the amount in dispute. Such arbitration proceedings shall be governed by the provisions of the United States Arbitration Act to the same extent as if authorized by an effective agreement in writing between the Government and the war contractor. Any such arbitration award shall be final and conclusive upon the United States to the same extent as a settlement by agreement under subsection (c) of section 6.

(f) Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them, by agreement with the other, may submit the dispute—

(1) to the Appeal Board in accordance with subsection (d) of this section;

(2) to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director.

Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

COURT OF CLAIMS

SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all parties with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. If the name and address of such party in interest is known or can be ascertained by reasonable diligence, and if he resides within the jurisdiction of the United States, he shall be summoned to appear by personal service; but if such party resides outside of the jurisdiction of the United States, or is unknown, or if for any other good and sufficient reason appearing to the court personal service cannot be had, he may be summoned by publication, under such rules as the court may adopt, together with a copy of the summons mailed by registered mail to such party's last known address. Upon failure so to appear, any and all claims or interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment pro confesso upon any claim or contingent claim asserted on behalf of the United States against any party who, having been duly served with subpoena, fails to respond thereto, to the same extent and with like effect as if such party had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any party pursuant to any such notice or subpoena, the case as to such party shall, for all purposes, be treated as if an independent proceeding had been instituted by such party pursuant to section 145 of the Judicial Code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and

determination, with the case in respect of which the notice or subpoena was issued, except that the United States shall not be heard upon any counterclaims, claims for damages or other demands whatsoever against such party, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such party shall assert therein a claim, or an interest in a claim, against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

(c) The jurisdiction of the Court of Claims shall not be affected by this Act except to the extent necessary to give effect to this Act, and no party shall recover judgment on any claim, or on any interest in any claim, in said court which such party would not have had a right to assert if this section had not been enacted.

PERSONAL FINANCIAL LIABILITY

SEC. 15. (a) Whenever any payment is made from Government funds to any war contractor or other person as an advance, partial or final payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment, in the absence of fraud on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

(b) For the purpose of making termination settlements or interim financing any Government agency is authorized to rely upon such certificates of war contractors as it deems proper and to permit war contractors and other persons to rely upon such certificates without financial liability in the absence of fraud on their part.

THE GENERAL ACCOUNTING OFFICE

SEC. 16. (a) Any other provision of law notwithstanding the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud. For this purpose the General Accounting Office shall have the authority to examine any records maintained by any contracting agency or by any war contractor relating to any termination settlement.

(b) Whenever the General Accounting Office believes that any settlement was induced by fraud, the Comptroller General of the United States shall report all of the facts relating thereto to the Director, to the Department of Justice, and to the contracting agency concerned. Upon receipt of such report (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency, that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, shall withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in the opinion of the General Accounting Office as stated in its report, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor. The General Accounting Office shall not suspend credit to any disbursing officer on any disbursements made by him under such settlement in the absence of fraud on his part.

(c) The Comptroller General may investigate the settlements completed by each contracting agency for the purpose of reporting to the Congress from time to time on—

(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this Act and the orders and regulations of the Director;

(2) whether such methods and procedures are followed by such agency with care and efficiency; and

(3) whether such methods and procedures adequately protect the interest of the Government.

If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this Act. At least thirty days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this Act except to the extent necessary to give effect to the specific provisions thereof.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

SEC. 17. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a valid contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

(c) Where a contracting agency fails to settle by agreement any claim asserted under this section, the dispute shall be subject to the provisions of section 13 of this Act.

(d) The Director shall require each contracting agency to formalize all such obligations and commitments within such period as the Director deems appropriate.

RECORDS, FORMS, AND REPORTS

SEC. 18. (a) The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud and to assure uniformity in administration and to provide for expeditious settlements. For this purpose he shall prescribe (1) such records to be prepared by the contracting agencies and by war contractors as he deems necessary in connection with such settlements and interim financing; and (2) the records in connection therewith to be transmitted to the General Accounting Office. He shall seek to reduce the amount of record keeping, reporting, and accounting in connection with the settlement of termination claims and interim financing to the minimum compatible with the reasonable protection of the public interest. Each contracting agency shall prescribe forms for use by war contractors in connection with termination settlements and interim financing to the extent it deems necessary and feasible.

(b) The Director shall require the Government agencies performing functions under this Act to prepare such information and reports regarding terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this Act, and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies. The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this Act, but any such agency, in its discretion, may furnish any such information deemed by it to affect the national security only to the Director himself.

(c) The Director, by regulation, shall provide for making available to any interested Government agency such advance notice and other information on cut-backs in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.

(d) The Director shall make such investigations as he deems necessary or desirable in connection with termination settlements and interim financing. For this purpose he may utilize the facilities of any existing agencies and if he determines that the facilities of existing agencies are inadequate, he may establish a unit in the Office of Contract Settlement to supplement and facilitate the work of existing agencies. He shall report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.

(e) Whenever any contracting agency or the Director believes that any settlement was induced by fraud, the agency or Director shall report the facts to the Department of Justice. Thereupon, (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, shall withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in its opinion, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor.

PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

SEC. 19. (a) It shall be unlawful for any person willfully to secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed—

(i) any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation or other termination, or settlement of a war contract of \$25,000 or more; or

(ii) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more,

until (1) five years after such disposition of termination inventory by such war contractor or Government agency, or (2) five years after the final settlement of such war contract, or (3) five years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress, whichever applicable period is longer.

As used in this subsection, the term "records" includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than five years, or both: *Provided, however,* That the Director, by regulation, may authorize the destruction of such records upon such terms and conditions as he deems appropriate, which may include the making and retaining of photographs or microphotographs. Photographs or microphotographs of any records made in compliance with such regulations of the Director shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of admissibility in evidence.

(b) The first section of the Act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until three years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but

it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law."

(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or emolument from the United States or any Government agency in connection with the termination, cancellation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States or with any other person, and every person who enters into an agreement, combination, or conspiracy so to do, (1) shall pay to the United States an amount equal to 25 per centum of any amount thereby sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof and (3) shall in addition pay to the United States the sum of \$2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

(d) The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this Act or under any regulations pursuant to this Act.

GENERAL PROVISIONS

SEC. 20. (a) Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this Act, (1) to make any contract necessary and appropriate to carry out the provisions of this Act; (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems necessary and appropriate to carry out the provisions of this Act; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any contracting agency under the First War Powers Act, 1941, or under any other statute.

(b) Any contracting agency may prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this Act. Any determination so made that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this Act.

(c) There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this Act.

(d) All policies and procedures relating to termination of war contracts, termination settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by the Director in accordance with this Act, or by regulations of the contracting agency not inconsistent with this Act or the policies prescribed by the Director.

(e) Nothing in this Act shall be deemed to impair or modify any war contract or any term or provision of any war contract or any assignment of any claim under a war contract, without the consent of the parties thereto, if the war contract, or the term, provision, or assignment thereof, is otherwise valid.

(f) Any contracting agency shall authorize or direct its officers and employees to advise, aid, and assist war contractors in preparing and presenting termination claims, in obtaining interim financing, and in related matters, to such extent as it deems desirable. If the officer or employee receives therefor no benefit or compensation of any kind, directly or indirectly, from any war contractor, such advice, aid, or assistance shall be treated as part of his official duties and shall not constitute a violation of section 109 of the Criminal Code (18 U. S. C. 198) or of any other law.

(g) The Smaller War Plants Corporation is hereby directed—

(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this Act and the regulations of the Director; and

(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guarantees, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

OTHER FUNCTIONS OF THE DIRECTOR

SEC. 21. In addition to his other functions under this Act, the Director shall—

(a) promote the training of personnel for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing.

(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible;

(d) consult with war contractors through advisory committees or such other methods as he deems appropriate.

USE OF APPROPRIATED FUNDS

SEC. 22. Any contracting agency is authorized—

(a) to use for interim financing, the payment of claims, and for any other purposes authorized in this Act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

(b) to use any such funds appropriated, allocated, or available to it for expenditures for or in behalf of any other contracting agency for the purposes authorized in this Act;

(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

DELEGATION OF AUTHORITY

SEC. 23. (a) The Director may delegate any authority and discretion conferred upon him by this Act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer,

agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute.

APPLICABILITY

SEC. 24. (a) This Act shall become effective twenty days after the date of its enactment. With the exception of the provisions of paragraphs (b), (c), (d), and (e), of section 12, and of sections 6, 7, 8, 9, 10, and 13 this Act shall be applicable in the case of any terminated war contract which has been finally settled at or before the effective date of this Act.

(b) Nothing in this Act shall limit or affect any authority conferred by the Act of March 11, 1941 (55 Stat. 31), as amended, or Acts supplemental thereto.

SEC. 25. Subject to policies prescribed by the Director, any contracting agency may exempt from some or all of the provisions of this Act (a) any war contract made or to be performed outside the continental limits of the United States or in Alaska, or (b) any termination inventory situated outside of the continental limits of the United States or in Alaska, or (c) any modification of a war contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

SEPARABILITY OF PROVISIONS

SEC. 26. If any provision of this Act, or the application of such provision to any person or circumstances, is held invalid, the remainder of this Act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SHORT TITLE

SEC. 27. This Act may be cited as the "Contract Settlement Act of 1944".

GENERAL INFORMATION

The report of the House Special Committee on Post-war Economic Policy and Planning (H. Rept. 1443) points out that approximately one-half of the total goods and services produced at the current rate of high production is for war purposes and of the persons now employed in manufacturing, about two-thirds are engaged in war work. The volume of our war production from July 1940 to the end of 1944 will total about \$205,000,000,000, of which \$130,000,000,000 represents the production completed by the end of 1943 and \$75,000,000,000 is scheduled for completion in 1944. The number of prime contracts has been variously estimated at from 100,000 to 250,000, depending upon what is counted as a separate contract. A survey made in September 1943 showed that there were 105,000 contracts for \$50,000 or more held by approximately 17,000 establishments, and another 100,000 smaller contracts. The number of subcontracts might run well over a million, involving 70,000 establishments, large and small.

Reference is hereby made to the above-mentioned report for information contained therein regarding the scope of the problem of contract termination, difficulties of termination, and the need for prompt congressional action, as well as other pertinent data.

It was pointed out in the report mentioned, that with a large portion of the plant equipment of the manufacturing industry tied up with war production and with a high proportion of working capital tied up with working inventories, a long delay in unfreezing the situation would have a disastrous effect upon the economy of the country.

Present procedures for the settlement of contracts now being terminated are not adequate. Delays in settlement have prevented, in many cases, the prompt removal of material and supplies and the release of working capital. Adequate plans have not been available for financing during the period of settlement.

Legislation is needed to take care of such matters as interim financing, payment of interest on claims not settled, providing prompt payments to subcontractors, the authority to make negotiated settlements, appeal procedures, adequate provision for the detection and prosecution of fraud, the financial liability of contracting officers, and prompt removal of termination inventories.

Hearings on the subject of contract termination have been held by various committees of the Congress.¹ The urgent necessity of legislation dealing with contract termination has been pointed out in the proceedings before these several committees and in the Report on War and Post-war Adjustment Policies submitted by Messrs. Bernard M. Baruch and John M. Hancock on February 15, 1944.

A detailed analysis of the provisions of the Senate bill (S. 1718) is given below. Following such analysis, changes effected in the Senate bill by the substitute here recommended, are set out in detail. The basis of the substitute which this committee proposes for S. 1718 is H. R. 4789, recommended by the Colmer committee (House Special Committee on Post-war Economic Policy and Planning), with further changes deemed desirable by this committee.

ANALYSIS OF S. 1718

OBJECTIVES

Section 1 states the objectives of the act, viz, speedy and equitable settlement, interim financing, advance notice of termination, uniform policies in termination settlements, prompt clearance of war plants, prevention of fraud, and improper payments.

SURVEILLANCE BY CONGRESS

Section 2 requires quarterly progress reports on the administration of the act and directs the appropriate committees of Congress to maintain surveillance of the administration of the act.

DEFINITIONS

Section 3 contains definitions of the various terms used in the act.

OFFICE OF CONTRACT SETTLEMENT

Section 4 establishes an Office of Contract Settlement and provides for a Director to be appointed by the President, by and with the advice and consent of the Senate. He is to serve for a term of 2 years and to receive an annual salary of \$12,000.

¹ See hearings before the Special Committee on Post-war Economic Policy and Planning, U. S. Senate, pt. 2; hearings before the subcommittee of the Committee on Military Affairs, U. S. Senate, on S. 1268 and other bills, consolidated print, pts. 1-5 and 6; hearings same subcommittee on S. 1718 (participated in by subcommittee of the House Committee on the Judiciary); hearings before the Committee on Military Affairs, House of Representatives, on H. R. 3022, pts. 1 and 2; hearings before the Committee on Naval Affairs, House of Representatives, on H. R. 4469; and hearings before the Committee on the Judiciary, House of Representatives, on H. R. 4789 and S. 1715 (including hearings before the House Special Committee on Post-war Economic Policy and Planning).

The Director is authorized by general orders or regulations to (1) coordinate the activities of all Government agencies under the act; (2) to prescribe policies, principles, methods, procedures and standards to govern the exercise of the authority and discretion and the performance of duties and functions under the act, and (3) to require or restrict the authority or discretion or the performance of any duty or function, to the extent deemed necessary to carry out the act.

Government agencies are authorized to issue regulations with respect to operations and procedures to carry out the policies, principles, methods, procedures, and standards prescribed by the Director, and others which are not inconsistent.

Subsection (d) authorizes the Director to employ and fix the compensation of necessary personnel to carry out the act, without regard to the provisions of the civil-service laws and the Classification Act. The Director is required to utilize the personnel and facilities of the contracting agencies and other Government agencies to the extent that it does not interfere with his functions of uniformly and efficiently administering the act.

ADVISORY BOARD

Section 5 creates a Contract Settlement Advisory Board with the Director as chairman. The members of such Board are the Secretary of War, Secretary of Navy, Secretary of the Treasury, Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the Chairman of the Board of Directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the Chairman of the Board of Directors of the Smaller War Plants Corporation, and the Attorney General. Any of the named officials are authorized to designate any alternate or representative.

BASES OF SETTLEMENT

Section 6 states the policy of the Government that speedy and fair compensation for the termination of war contracts shall be had. Such fair compensation to include (1) costs of termination, (2) removing and storing termination inventories, (3) profit on work done and preparations made, and (4) interest on termination claims.

The same basis as is provided for termination of contracts is also prescribed for subcontracts.

Subsection (c) authorizes any contracting agency to settle claims by agreement, or by determining the amount due, or by both such processes. Where the settlement is agreed to, it is final and conclusive, except (1) to the extent otherwise agreed, (2) for fraud, (3) upon renegotiation to eliminate excessive profits, and (4) by mutual agreement before or after payment.

Where there is a determination without agreement, it is final and conclusive except in the four instances of an agreed settlement, unless the contractor either appeals or brings suit under section 13 of the act.

INTEREST

Subsection (d) authorizes payment of interest on claims at the rate of 2½ percent, beginning 30 days after the date of termination and ending with the final payment, except (1) interest will be suspended

during any delay caused by the contractor, and (2) if interest on a Government loan or guaranty has been waived, such amount shall be deducted, and (3) if the contractor appeals or files suit on his claim interest shall not accrue until 30 days after the delivery of the findings unless the amount is increased upon the appeal or by suit.

The same basis for payment of interest to subcontractors is provided.

Section 7 provides that each contracting agency shall establish methods and standards for determining fair compensation. Systems of accounting shall be adapted so far as practicable to that used by war contractors, if consistent with sound accounting practice.

SETTLEMENTS WITH SUBCONTRACTORS

Subsection (b) requires contracting agencies to limit or omit review of settlements by contractors with subcontractors to the maximum extent compatible with the public interest. The contracting agency (1) may approve, ratify or authorize such settlements upon evidence, terms and conditions it deems proper; (2) shall vary the scope and intensity of its review according to the reliability of the contractor, the size, number and complexity of claims and other relevant factors; and (3) shall authorize contractors to settle with subcontractors without review, when such action seems justified. A contractor is made liable only for his own fraud in such settlements with subcontractors.

Subsection (c) gives the contracting agency supervision or control over payments to contractors to assure receipt by the subcontractors of payments to them.

Subsection (d) concerns group settlements. The Director, after consulting the contracting agencies concerned, may authorize a particular agency to settle some or all of the claims of a contractor.

Subsections (e), (f), and (g) authorize direct settlements with subcontractors by the contracting agency. It may pay or purchase a claim and may agree to assume or indemnify the subcontractor against claims by others in connection with the claim or settlement. Written notice shall be given to the contractor and subcontractor by the agency, setting out the conditions of its responsibility. Settlements by the agency with the subcontractor may be without regard to any limitation on the amount payable by the Government to the prime contractor. Where a subcontractor has been deprived of fair compensation and cannot otherwise secure it, the contracting agency may pay such compensation to him (whether or not it has been included in a prior settlement with another contractor) if it determines that in the circumstances of the particular case equity and good conscience require such action.

INTERIM FINANCING

Section 8 relates to interim financing and states that it is the policy of the Government and responsibility of the contracting agencies and the Director to provide contractors, who have termination claims, with interim financing within 30 days after applying therefor.

Subsection (b) requires contracting agencies, to the greatest extent deemed practicable, to make interim financing available through loans and discounts, and commitments and guaranties, in contemplation of

or related to termination of contracts. Where the financing is made by advance or partial payments it is to consist of—

- (1) One hundred percent of contract price on completed acceptable items; plus
- (2) ninety percent of the cost of raw materials, parts, direct labor and manufacturing overhead allocable to the terminated part of the contract; plus
- (3) reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated contract not included in the foregoing; plus
- (4) such additional amounts, if any, as the contracting agency deems necessary or desirable in the public interest;
- (5) in lieu of the costs in clauses (2) and (3), where a detailed ascertainment of costs is not suitable to the conditions of a contractor and might delay financing, that portion of such financing shall be equal to an amount not greater than 90 percent of the estimated costs allocable to the terminated contract;

Less

- (6) any outstanding advance or partial payments allocable to the contract.

Subsection (c) provides that the Director shall prescribe the types of estimates, certificates, or other evidence to support the interim financing; the terms and conditions of the financing; the classes of cases where financing is to be refused; and the methods of supervision and control deemed necessary or desirable to assure adequate and speedy interim financing to subcontractors of the contractor.

Subsection (d) permits the Director to prescribe penalties up to 6 percent for overstatements by contractors on amounts due on their claims in connection with the financing, in order to protect the Government's interest. The penalty may be deducted from any amounts due the contractor or be recovered by suit. Priority to the United States is given in the payment of the penalty and repayment of the financing.

Subsection (e) provides that the contracting agency may allow a previous advance or authorization to be used for payments and expenses related to the settlement, upon conditions deemed necessary or appropriate to protect the Government's interest.

Subsection (f) prevents interim financing unless the terms thereof provide for liquidation by the contractor of all loans, discounts, advance payments, or partial payments by the date of final payment to him on the settlement, or later time deemed necessary for liquidation of the interim financing in an orderly manner.

Subsection (g) authorizes contracting agencies to settle claims due by or to the Government arising from or related to any interim financing made, acquired, or authorized by it. It also validates interim financing already made which would be valid under this act.

Section 9 authorizes any contracting agency to make advance or partial payments to any war contractor on account of any termination claim and to authorize, approve, or ratify any such advance or partial payments by any war contractor to its subcontractors; and directs such payments to be made from time to time on partial settlements, minimum settlements, and before settlement. Where any such ad-

vance or partial payment, except final payment on a partial settlement, exceeds the amount finally determined to be due on the claim the excess is treated as a loan from the Government to the contractor receiving it and is payable on demand with a penalty of 6 percent. Where the payment was made by a war contractor with the consent of the contracting agency he is entitled to credit from the Government for any excess payment and is not liable for it in the absence of fraud on his part.

Section 10 authorizes any contracting agency to guarantee financing institutions against loss on loans or commitments made by them to any war contractor or other person performing any operation relating to war production, for the purpose of financing him in connection with or in contemplation of termination of one or more war contracts or operations. It also authorizes any contracting agency to make or participate in making direct loans or commitments for the purpose of such financing. Such financing may be secured as the contracting agency may prescribe. The Federal Reserve banks are authorized to act on behalf of the contracting agencies as fiscal agents of the United States for these purposes.

ADVANCE NOTICE

Section 11 requires each contracting agency to notify its prime contractors of termination as far in advance of the cessation of work thereunder as is feasible without permitting unneeded production or performance, and to permit continuation of work whenever the agency deems that it will benefit the Government or is necessary to avoid substantial injury to the plant or property.

To protect contractors against stop orders by any contracting agency, this section requires the agency, unless the contract provides otherwise, to compensate the contractor for reasonable costs and expenses resulting from any suspension of work under stop orders; if this suspension extends for 30 days or more, the contractor may elect to treat it as a termination by giving written notice at any time before being directed to resume. The Director has no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agency.

REMOVAL AND STORAGE OF MATERIALS

Section 12 states the policy of the Government, upon the termination of war contracts, to assure speedy removal from the plant of termination inventory not to be retained or sold by the contractor.

Subsection (b) provides that any war contractor may submit statements showing the termination inventory which he desires the Government to remove. Within 60 days thereafter, under subsection (c), the Government agency must arrange for storage on the contractor's premises or elsewhere, or must remove the inventory from the contractor's plant, unless it is retained by the war contractor or otherwise disposed of or is determined not to be allocable to the terminated contracts.

Under (d) if the Government fails to store or remove the inventory, the contractor may remove it and store it at the risk and expense of the Government using reasonable care for its transportation and preservation.

When the contractor intends to remove inventory, he must notify the Government agency at least 20 days beforehand of the date fixed for removal and submit a list showing the quantities and conditions of the materials to be removed, prepared in accordance with a concurrent physical inventory. If the agency does not check the materials at or before their removal, a certificate of the war contractor showing the materials removed, if filed within 30 days after the date fixed for removal, is *prima facie* evidence against the United States of the quantities and conditions of the materials so removed and of the fact of their removal.

Subsection (e) authorizes the contracting agency concerned, or the Director, or any Government agency designated by him, on behalf of the United States, to take possession of any termination inventory or materials so removed or stored for the account of the Government whether or not they in fact constitute termination inventory. With respect to any such materials, the Government's liability is limited to their return to the war contractor, or to their disposal value at the time of removal, or to the proceeds realized by the Government from their disposal, as the agency elects, unless the parties agree otherwise.

Subsection (f) forbids any contracting agency to postpone or delay any settlement for the purpose of awaiting disposal of any termination inventory.

Subsection (g) contains similar provisions for removal of Government-owned machinery, tools, and equipment installed in any plant for the performance of one or more war contracts.

Subsection (h) protects the right of the War and Navy Departments and the Maritime Commission to take over inventories and use them for war production or to authorize their use for such purposes.

Subsection (i) authorizes removal and storage of termination inventory by any war contractor at his own risk, at any time after termination of a contract to which it is allocable.

APPEAL

Section 13 is designed to protect the contractor in case he does not agree with the contracting agency on the amount due on his claim. Under (a) the contracting agency embodies its determination of the amount due in written findings. If the claim has been presented in proper form, the agency must deliver such findings to the contractor within 90 days after his demand for them. Within 30 days after delivery of the findings the contracting agency is required to pay 90 percent of the amount determined to be due, after deducting any outstanding interim financing applicable thereto.

Subsection (b) provides that if the contractor is aggrieved by the findings or failure on the part of the contracting agency to make findings, the contractor may appeal to the Appeal Board (hereafter mentioned) or bring suit on his claim against the United States in the Court of Claims or in the district court if the amount involved does not exceed \$10,000. If the contracting agency is the Reconstruction Finance Corporation or a subsidiary, suit may be brought against it in any court of competent jurisdiction as under existing law. Before doing so, however, under subsection (c) (1), the contractor may first resort to any intra-agency procedure for appeal or protest and must do so if required by the Director, but the agency must act on any required

protest or appeal within 30 days. (2) Unless the contractor appeals or sues within 90 days after the delivery to him of the findings of the agency or the determination of any intra-agency appeal, or within 1 year after his demand for findings, if the agency fails to deliver them, he is barred from an appeal or suit, and any findings become final and conclusive or, if none were made, he is deemed to have waived his claim. (3) In the proceedings before it, the Appeal Board or court is not bound by the findings of the agency but must treat them as prima facie correct, and the war contractor has the burden of establishing that a larger amount is due him. If the contractor failed to negotiate in good faith for settlement, or failed to furnish the agency information reasonably requested by it, or failed to prosecute diligently any required intra-agency appeal, the Board or court may refuse to receive in evidence any information not submitted to the agency, or may deny interest on the claim for any period, or may remand the case to the agency for further proceedings. Paragraph (4) of subsection (c) provides that when the contractor proceeds either by appeal to the Board or to the court, he is precluded from using any other method on the same claim. Paragraph (5) authorizes settlements by agreement during such proceedings.

APPEAL BOARD

Subsection (d) authorizes the Director to appoint an Appeal Board, composed of such number of members as he deems necessary. He is authorized also to fix their compensation and term of office. Panels of one or more members may act for the Appeal Board and shall sit from time to time in localities throughout the country, reasonably convenient for war contractors having proceedings before them. One member may hear any appeal involving \$25,000 or less or involving any larger sum if the contractor fails to demand a panel of three members at the time of filing his appeal. The decision of the Board is final and conclusive and not subject to review. The Director, or the Appeal Board, if authorized by him, shall prescribe the practice and procedure before the Board. Provisions of law applicable to the issuance of subpoenas under the Federal Trade Commission Act are made applicable to the Appeal Board.

Subsection (e) authorizes arbitration of any amount in dispute if the contracting agency and the contractor agree to such procedure.

Subsection (f) authorizes either a contractor or subcontractor, with the agreement of the other, to submit any dispute regarding a termination claim to the Appeal Board, or to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director. The decision is final and conclusive on the parties and on the United States in the absence of fraud or collusion.

COURT OF CLAIMS

Section 14 authorizes the Court of Claims to appoint not more than 10 auditors and not more than 20 commissioners in order to expedite the adjudication of termination claims.

It further provides that the Attorney General, under rules prescribed by the Court of Claims, may cause any person to be notified to appear in any suit and assert and defend his interests.

PERSONAL FINANCIAL LIABILITY

Section 15 provides that no officer or other Government agent shall be personally liable, in the absence of fraud on his part, for making any payment of Government funds to any war contractor or other person as an advance, partial, or final payment or any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government. The General Accounting Office is directed to allow such disbursements notwithstanding any other provisions of law. This section also authorizes any Government agency to rely upon certificates of war contractors in making termination settlements or interim financing and to allow war contractors and other persons to rely on such certificates without financial liability in the absence of fraud on their part.

GENERAL ACCOUNTING OFFICE

Section 16 (a) confines the function of the General Accounting Office with respect to termination settlements to determining, after final settlement, (1) whether the settlement payments to the contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud.

Subsection (b) provides that when the General Accounting Office believes that any settlement was induced by fraud, the Comptroller General shall report all the facts to the Director, to the Department of Justice, and to the contracting agency concerned but shall not suspend, withhold, or direct or require any contracting agency to suspend or withhold any amounts owing to the contractor. The contracting agency may, and upon order of the Director shall, take such actions as deemed appropriate to recover or withhold payments to the contractor.

Subsection (c) authorizes the Comptroller General to investigate settlements completed by each contracting agency for the purpose of reporting to Congress from time to time on—

(1) whether the settlement methods and procedures are of a kind and type designed to result in expeditious and fair settlements;

(2) whether such methods and procedures are followed with care and efficiency, and

(3) whether such methods and procedures adequately protect the interest of the Government.

The Comptroller General is directed to make recommendations to correct any failure to meet the above standards and to submit to Congress with his report any comments of the agency with respect thereto.

Subsection (d) provides that the jurisdiction of the Comptroller General is not affected by this act except to the extent necessary to give effect to the provisions hereof.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

Section 17 (a) protects any person who has arranged to furnish or furnished to an agency or war contractor any materials, services, or facilities related to the prosecution of the war without a valid contract,

relying in good faith upon the apparent authority of an officer or agent of the agency, written or oral instructions, or any other request to proceed from the agency. Under it he is entitled to receive fair compensation therefor from the agency.

Subsection (b) deals with formal or technical defects or omissions in any prime contract or in the authority of officers or agents of any agency which might otherwise invalidate the contract. Each contracting agency is directed to disregard any such defect or omission to amend the contract or commitment to cure it, and to settle any obligation created by the contract.

Subsection (d) provides that where a contracting agency fails to settle any such claim by agreement, the dispute is subject to the provisions of section 13 dealing with appeals.

Subsection (e) provides that the Director shall require contracting agencies to formalize all such obligations and commitments within such period as the Director deems appropriate.

RECORDS, FORMS, AND REPORTS

Section 18 contains comprehensive provisions to insure adequate supervision, records, and checks for interim financing and termination settlements.

Subsection (a) requires the Director to establish policies for supervision and review within the contracting agencies to prevent and detect fraud, to insure uniformity in administration, and to provide for expeditious settlements. It also directs him to prescribe the records to be prepared by the agencies and by contractors in connection with such settlements and financing and the records to be transmitted to the General Accounting Office. He is directed to endeavor to reduce the amount of record keeping, reporting, and accounting to the minimum compatible with the protection of the public interest.

Subsection (b) directs the Director to require any agency performing functions under the act to prepare information and reports to assist him in appraising their operations and to aid him and other Government agencies in performing their functions under the act. The Director may require any agency to furnish to him any information under its control but any such agency may furnish information deemed by it to affect the national security only to the Director himself.

Subsection (c) requires the Director to provide for making available to other agencies advance notice and other information on cut-backs in war production.

Subsection (d) requires the Director to make investigations in connection with termination settlements and interim financing and authorizes him to use existing agencies for this purpose or if these are inadequate, to establish in his office a special unit to supplement and facilitate the work of existing agencies. The Director is required to report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.

PRESERVATION OF RECORDS—PROSECUTION OF FRAUD

Section 19 (a) makes it unlawful for any person willfully to secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated or destroyed—

(1) any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation or

other termination, or settlement of a war contract of \$25,000 or more; or

(2) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more, until—

five years after such disposition of termination inventory by the war contractor or Government agency, or after the final settlement of the war contract, or after the termination of hostilities in the present war, whichever period is longer.

Penalties of a \$50,000 fine for a corporation and \$10,000 fine or imprisonment for not more than 5 years, or both, for any natural person, are provided. The Director may authorize the destruction of records and may permit the substitution of photographs or microphotographs which then have the same force and effect as the originals.

Subsection (b) amends the act of August 24, 1942 (56 Stat. 747). This amendment suspends until 3 years after the termination of hostilities the running of any existing statute of limitations applicable to any Federal offense involving fraud, against the United States or connected with the negotiation, procurement, award, performance, payment for interim financing, cancelation or other termination, or settlement of any war contract.

Subsection (c) imposes a civil penalty on any false or fraudulent claim, bill, receipt, voucher, statement, account, certificate, affidavit or deposition or any concealment of a material fact or any other device for the purpose of obtaining or aiding to obtain any benefit from the United States in connection with any contract with the United States or with any other person, or any conspiracy for any of these purposes.

Any person presenting such a claim shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof and shall also pay \$2,000 to the United States for each such act, and double the amount of any damage sustained by the United States, together with the costs of suit.

The district courts, within whose jurisdiction any such person is found, are given jurisdiction to try any such suit, and such person or persons not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

Subsection (d) deals with the criminal penalties for fraud. It makes clear that the provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) also apply to any such statement, representation, or other document made or used or caused to be made or used for any purpose under the act. Section 35-A imposes criminal penalties up to \$10,000 in fines and up to 10 years' imprisonment for fraudulent actions involving the Government.

GENERAL PROVISIONS

Section 20 contains miscellaneous provisions relating to the administration of the act.

Subsection (a) authorizes any contracting agency to make any contract or amendment of a contract necessary and appropriate to carry out the provisions of the act; in settling any termination claim,

to assume or indemnify the war contractor against any claim by any person in connection with such termination claim or settlement.

Subsection (b) authorizes any contracting agency to prescribe the amount and kind of evidence required to identify any person as a war contractor or any contract as a war contract for the purposes of the act and makes any determination thereunder final and conclusive.

Subsection (c) authorizes appropriations to be made for the administration of the act.

Subsection (d) continues in effect, until superseded by the Director or the agency, all policies and procedures relating to terminations and interim financing heretofore prescribed by the Director of War Mobilization or any contracting agency, and in effect upon the effective date of the act, if not inconsistent.

Subsection (e) makes it clear that this act is not intended to impair or modify any valid war contract or any valid term or provision thereof, or any assignment of any claim thereunder without the consent of the parties thereto.

Subsection (f) directs contracting agencies to authorize or direct their employees to aid war contractors in preparing and presenting termination claims and obtaining interim financing as a part of their official duties, and exempts any such aid from section 109 of the Criminal Code or any other law.

For the protection of smaller war contractors, the Smaller War Plants Corporation is directed to inform small business concerns regarding interim financing, termination settlements, and property removal, and to assist them in making such settlements, obtaining such financing and in removing inventories.

OTHER FUNCTIONS OF THE DIRECTOR

In addition to his other functions under the act, section 21 requires the Director (1) to promote the training of personnel for termination settlements and interim financing, (2) to collaborate with the Smaller War Plants Corporation in aiding smaller war contractors to obtain expeditious settlements and financing, (3) to promote decentralization of administration, and (3) to consult with war contractors through appropriate methods.

DELEGATION OF AUTHORITY

Section 23 authorizes the Director to delegate his authority and discretion to any Deputy Director, or to the head of any Government agency to the extent necessary for handling problems peculiar to that agency. The head of any Government agency may delegate his authority and discretion to employees of his agency or of any other agency. Two or more Government agencies may exercise jointly any authority and discretion conferred upon them individually by or pursuant to the act.

APPLICABILITY

Sections 24 and 25 deal with the application of the act. Under section 24 it becomes effective 20 days after enactment. However, certain of the provisions do not apply to any terminated war contract which has theretofore been finally settled. Nothing in the act limits or affects any authority conferred by the Lend-Lease Act.

Under section 25 any contracting agency may exempt from the act (1) any war contract made or to be performed outside the continental United States or in Alaska, or (2) any termination inventory situated outside the continental United States or in Alaska, or (3) any modification of a contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

SEPARABILITY OF PROVISIONS

Section 26 contains the usual separability clause.

SHORT TITLE

Section 27 permits the act to be cited as the "Contract Settlement Act of 1944."

DISCUSSION OF THE COMMITTEE AMENDMENT

The bill recommended by the Committee on the Judiciary as a substitute for S. 1718 is quite similar to the Senate bill. It contains, however, important amendments recommended by the Colmer committee and others by the Judiciary Committee. Differences between the Senate bill and the recommended bill are as follows:

1. The recommended bill includes the War Production Board within the definition of "contracting agency" in section 3 (g).

2. Whereas under section 4 (d) of the Senate bill the Director was authorized to employ personnel without regard to the civil-service laws and Classification Act, he is now authorized to employ experts, engineers, accountants, etc., without regard thereto, but other personnel shall be secured through the established civil-service procedures.

3. At the end of section 4 a new subsection (e) has been added. It would require publication in the Federal Register of the policies, principles, methods, procedures, and standards prescribed by the Director and regulations issued by the Government agencies in carrying out the act.

4. The Colmer committee, under the bill it recommended (H. R. 4789) proposed to add the Comptroller General as a member of the Contract Settlement Advisory Board, which serves in an advisory capacity to the Director of Contract Settlement. The Comptroller General has requested not to be included on the Board. He is therefore omitted from the Board and the bill remains the same in this respect as the Senate bill.

5. Section 6 of the recommended bill deals with the methods and principles applicable to settlements.

The committee considered at great length the adequacy of the corresponding provisions of the Senate bill. Section 6 of the Senate bill prescribed that fair compensation be paid to the contractor or subcontractor for such termination. Such compensation was to include costs of termination and settlement, removing and storing termination inventories, an allowance for profit on work done and preparations made, and interest on the termination claim. Subsection (c) thereof authorized contracting agencies to settle claims by agreement or by determining the amount due. Subsection (a) of section 7 authorized

each contracting agency to establish methods and standards for determining such fair compensation on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work, or on any other equitable basis, as deemed appropriate. To the extent that the methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

Section 6 (a) of the recommended bill is comparable to the same subsection of the Senate bill; 6 (b) corresponds to section 7 (a) of the Senate bill; and 6 (c) remains the same as in the Senate bill.

Though it was seriously challenged and closely decided, the committee determined that the bill should contain further provisions regarding cost principles. At the same time it was recognized that considerable latitude must be given to the Director and to the contracting agencies in order to obtain prompt termination settlements. If expeditious settlements are to be had, they must be obtained by negotiation and by fair and reasonable compromises of disputed points instead of by following a strict accounting and cost analysis procedure.

The new provisions are contained in subsections (d) and (e) of section 6. In preparing these provisions the Committee has been guided by the uniform contract termination article recommended by Messrs. Baruch and Hancock and by the cost principles which are applicable thereunder in cases not settled by agreement. This uniform termination article is now included in new contracts and by agreement existing contracts are being modified to include it.

Subsection (d) deals with claims not settled by agreement. It provides that the methods and standards established under subsection (b) for determining fair compensation for such claims not settled by agreement shall allow costs incurred reasonably necessary for performance of the contract and properly allocable to the terminated part of the contract, including direct and indirect manufacturing, selling and distribution, administrative and other proper costs, and such allowance for profit on preparations made and work done for the terminated part of the contract as is reasonable under the circumstances, plus interest on the termination claim.

In such settlements made by determination without agreement, the following costs are to be considered to the extent properly allocable to the terminated part of the contract: (1) Reasonable cost of settling and paying termination claims, (2) cost of items of termination inventory, (3) allowance for depreciation at appropriate rates, (4) general experimental and research expense to the extent consistent with an established pre-war program, or to the extent related to war purposes, (5) costs of engineering and development and special tooling, provided the contractor protects the Government's interests, (6) loss on special facilities acquired solely for the performance of the contract, to the extent authorized by regulations of the Director, provided the contractor protects the interests of the Government, (7) rentals under leases clearly shown to have been made for the performance of the contract, and costs of reasonable alterations, and restoring the premises, (8) advertising to the extent consistent with a pre-war program or to the extent reasonable under the circumstances, (9) interest on borrowings, (10) reasonable accounting, legal, and other

expenses necessary in connection with the termination and settlement, and (11) storage, transportation, and other costs incurred for the protection of materials acquired or produced for the contract or in connection with disposition thereof. Costs of nonrecurring nature arising from unfamiliarity with the product in the initial stages of production shall be appropriately apportioned between the completed and terminated parts of the contract.

The following items are not to be included as elements of cost: (1) Losses on other contracts, or from sales or exchanges of capital assets, fees, and other expenses in connection with reorganization or recapitalization, antitrust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government, losses on investments, provisions for contingencies, and premiums on life insurance where the contractor is the beneficiary; (2) expense of conversion of the contractor's facilities to uses other than the performance of the contract; (3) expenses due to negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice; (4) costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract; and (5) costs which were charged off in a renegotiation under the Renegotiation Act for a period for which a refund was made or was avoided by such charge-off.

The failure specifically to mention any item of cost is not intended to imply that it should be allowed or disallowed. The Director is given authority to interpret the provisions of subsection (d) and may include or exclude other costs in accordance with recognized commercial accounting practice.

Furthermore, where the small size of the claims or the nature of production or performance or other factors make it impracticable to apply the provisions of subsection (d) to any class of claims not settled by agreement, the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims.

Subsection (e) relates to settlements by agreement. The hearings and reports by the various committees of Congress which have studied this matter clearly indicate that the overwhelming bulk of termination claims must be settled by negotiated agreements if the job is to be done expeditiously enough to permit rapid reconversion and reemployment at the end of the war. This is also the conclusion of the Baruch-Hancock report. Accordingly this subsection provides that termination claims shall be settled by agreement to the maximum extent feasible and that the methods and standards established under subsection (b) of this section shall be designed to facilitate such settlements. As stated by Mr. Hancock before the committee, "The ability to apply standards of business judgment as distinct from strict accounting principles is at the heart of the negotiated settlement." The committee therefore believes that in establishing methods and standards for determining fair compensation in settling claims by agreement the cost factors enumerated in subsection (d) should be taken into account only insofar as this is practicable without impeding expeditious settlements. Consequently, under this subsection (e), the Director is to require the contracting agencies to take those cost

factors into account in establishing methods and standards for negotiated settlements to the extent that he deems it practicable to do so with impeding expeditious settlements. This will permit it to be determined from experience how far this is compatible with prompt and fair settlement of claims.

Subsection (f) provides for interest on the amount due and unpaid on termination claims as contained in section 6 (d) of the Senate bill.

Subsection (g) of the recommended bill is the same as section 6 (b) of the Senate bill and provides that where any war contract does not provide for or provides against fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

6. Section 7 (b) of the recommended bill goes further than the corresponding provision (sec. 7 (c) of the Senate bill) by requiring any contracting agency to exercise supervision or control over payments to contractors to assure the receipt of the benefit of such payments by the subcontractors. It is necessary, however, that the contracting agency be satisfied of the inability of a contractor to meet his obligations before it is required to exercise supervision of the payments.

The language of the last provision of this section has been slightly changed from that of the Senate bill but still permits payment to a subcontractor who has been deprived of fair compensation and cannot otherwise secure it. Such a situation might exist in the case of insolvency of a prime contractor who had been paid and the subcontractor be without remedy in the absence of this provision for payment to him.

7. Under the Senate bill the war contractor was given the option either to appeal to the Appeal Board or to sue in the courts, but once he had elected to go to the Appeal Board he was prevented from going to court. The Colmer committee bill, H. R. 4789, eliminated paragraph (4) of subsection (c) of section 13 of the Senate bill and made specific provision for resort to the courts where the war contractor might be aggrieved by the decision of the Appeal Board. This change is contained in the recommended bill and is set out in section 13 (d) (2).

Section 13 (d) of the Senate bill has been further changed to require that members of the Appeal Board be qualified and experienced attorneys, engineers, accountants, or persons possessing business experience or professional skill.

8. Section 14 (b) of the Senate bill has been changed to permit the Court of Claims to provide for the summoning of interested parties in proceedings before the court.

9. Under the bill recommended by the Colmer committee, the General Accounting Office was given specific authority to examine any records maintained by any contracting agency or by any war contractor relating to any termination settlement. This provision is contained in the bill now recommended and is set out at the end of subsection (a) of section 16.

10. Under the bill recommended by the Colmer committee, additional duties were imposed upon the Director, the Department of Justice, and the contracting agencies to insure additional protection of the interest of the Government. Such provisions are retained in the recommended bill and are set out in subsection (b) of section 16.

These provisions require that whenever the General Accounting Office believes that any settlement was induced by fraud, the Comptroller General shall report all of the facts relating thereto to the Director, to the Department of Justice, and to the contracting agency concerned. Thereupon the Department of Justice is required to make an investigation to determine whether the settlement was induced by fraud, and until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, is required to withhold from amounts owing to the contractor the amount of the settlement or portion which, in the opinion of the General Accounting Office, as stated in its report, was affected by the fraud.

Subsection (e) of section 18 of the recommended bill was added by the Colmer committee and requires the contracting agency or the Director, whenever they believe that a settlement was induced by fraud, to report the facts to the Department of Justice, which is to make investigation. Pending investigation the contracting agency is required to withhold amounts which it believes to be affected by the fraud.

11. In addition to the heavy penalties for fraud provided in the Senate bill, the Colmer committee recommended in its bill an additional provision for a penalty of 25 percent of any amount sought to be secured by fraud, even though not actually received. The provision is retained in the recommended bill and is set out in paragraph (1) of subsection (c) of section 19.

12. Subsection (f) of section 20 of the Senate bill required that the employees of contracting agencies aid war contractors in preparing and presenting termination claims and obtaining interim financing as part of their official duties, and provided that such assistance was not to constitute a violation of section 109 of the Criminal Code. The Colmer committee in its bill qualified the provision to insure that an officer or employee not receive any benefit or compensation directly or indirectly from any war contractor. This change is retained in the bill now recommended.

Section 20 of the Senate bill directs the Smaller War Plants Corporation to inform small business concerns regarding interim financing, termination settlements, and property removal and to assist small concerns with those matters. The recommended bill reiterates the authority of the Smaller War Plants Corporation to make interim loans and guaranties under the act.

Other differences are not of a substantial nature.

CHANGES IN EXISTING LAW

In compliance with clause 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law in which no change is proposed is shown in roman, new matter is printed in *italic*, and existing law proposed to be omitted is enclosed in black brackets):

ACT OF AUGUST 24, 1942 (56 STAT. 747)

[That] The running of any existing statute of limitations applicable to **[offenses]** *any offense against the laws of the United States (1)* involving **[the]** defrauding or attempts to defraud the United States or any agency thereof **[,]**

whether by conspiracy or not, and in any manner, [and now indictable under any existing statutes,] or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until [June 30, 1945, or until such earlier time as the Congress by concurrent resolution, or the President, may designate] three years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This [Act] section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by [the] provisions of existing [laws] law.

EXHIBITS

Following are certain provisions of law referred to in the bill:

REVISED STATUTES, SEC. 3466 (31 U. S. C., SEC. 191)

Whenever any person indebted to the United States is insolvent, or whenever the estate of any deceased debtor, in the hands of the executors or administrators, is insufficient to pay all the debts due from the deceased, the debts due to the United States shall be first satisfied; and the priority established shall extend as well to cases in which a debtor, not having sufficient property to pay all his debts, makes a voluntary assignment thereof, or in which the estate and effects of an absconding, concealed, or absent debtor are attached by process of law, as to cases in which an act of bankruptcy is committed.

SUBSECTION (20) OF SECTION 24 OF THE JUDICIAL CODE (28 U. S. C. 41 20)

The district courts shall have original jurisdiction as follows: * * *

(20) SUITS AGAINST UNITED STATES.

Twentieth. Concurrent with the Court of Claims, of all claims not exceeding \$10,000 founded upon the Constitution of the United States or any law of Congress, or upon any regulation of an executive department, or upon any contract, express or implied, with the Government of the United States, or for damages, liquidated or unliquidated, in cases not sounding in tort, in respect to which claims the party would be entitled to redress against the United States, either in a court of law, equity, or admiralty, if the United States were suable, and of all set-offs, counterclaims, claims for damages, whether liquidated or unliquidated, or other demands whatsoever on the part of the Government of the United States against any claimant against the Government in said court; and of any suit or proceeding commenced after the passage of the Revenue Act of 1921, for the recovery of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority or any sum alleged to have been excessive or in any manner wrongfully collected under the internal-revenue laws even if the claim exceeds \$10,000, if the collector of internal revenue by whom such tax, penalty, or sum was collected is dead or is not in office as collector of internal revenue at the time such suit or proceeding is commenced. Nothing in this paragraph shall be construed as giving to either the district courts or the Court of Claims jurisdiction to hear and determine claims growing out of the Civil War, and commonly known as war claims, or to hear and determine other claims which had been rejected or reported on adversely prior to the 3d day of March 1887 by any court, department, or commission authorized to hear and determine the same, or to hear and determine claims for pensions: or as giving to the district courts jurisdiction of cases brought to recover fees, salary, or compensation for official services of officers of the United States or brought for such purpose by persons claiming as such officers or as assignees or legal representatives thereof: but no suit pending on the 27th day of June 1898 shall abate or be affected by this provision. No suit against the Government of the United States shall be allowed under this paragraph unless the same shall have been brought within six years after the right accrued for which the claim is made. The claims of married women, first accrued during marriage, of persons under the age of twenty-one years, first accrued during

minority, and of idiots, lunatics, insane persons, and persons beyond the seas at the time the claim accrued, entitled to the claim, shall not be barred if the suit be brought within three years after the disability has ceased: but no other disability than those enumerated shall prevent any claim from being barred, nor shall any of the said disabilities operate cumulatively. All suits brought and tried under the provisions of this paragraph shall be tried by the court without a jury.

SECTION 35-A OF THE CRIMINAL CODE (18 U. S. C. SEC. 80)

PRESENTING FALSE CLAIMS.

Whoever shall make or cause to be made or present or cause to be presented for payment or approval, to or by any person or officer in the civil, military or naval service of the United States, or any department thereof, or any corporation in which the United States of America is a stockholder, any claim upon or against the Government of the United States, or any department or officer thereof, or any corporation in which the United States of America is a stockholder, knowing such claim to be false, fictitious, or fraudulent; or whoever shall knowingly and wilfully falsify or conceal or cover up by any trick, scheme, or device a material fact, or make or cause to be made any false or fraudulent statements or representations, or make or use or cause to be made or used any false bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition, knowing the same to contain any fraudulent or fictitious statement or entry in any matter within the jurisdiction of any department or agency of the United States or of any corporation in which the United States of America is a stockholder, shall be fined not more than \$10,000 or imprisoned not more than ten years, or both.

SECTION 109 OF THE CRIMINAL CODE (18 U. S. C. SEC. 198)

OFFICERS INTERESTED IN CLAIMS AGAINST UNITED STATES.

Whoever, being an officer of the United States, or a person holding any place of trust or profit, or discharging any official function under, or in connection with any executive department of the Government of the United States, or under the Senate or House of Representatives of the United States, shall act as an agent or attorney for prosecuting any claim against the United States, or in any manner or by any means, otherwise than in discharge of his proper official duties, shall aid or assist in the prosecution or support of any such claim, or receive any gratuity, or any share of or interest in any claim from any claimant against the United States, with intent to aid or assist, or in consideration of having aided or assisted, in the prosecution of such claim, shall be fined not more than \$5,000, or imprisoned not more than one year, or both.

ADDITIONAL VIEWS BY EMANUEL CELLER

I voted in committee for S. 1718, as amended, which is the so-called Walter bill embodied in H. R. 4789. This bill provides for settlement of claims arising from terminated war contracts.

It is a good bill, worthy of every support and should pass the House.

However, this bill only attacks one phase of the all-embracing problem of transition from wartime to peacetime industry. It only takes care of stockholders and principals of entities whose wartime contracts are terminated and takes care of them whether they are prime contractors or subcontractors. It is primarily concerned with fiscal arrangements between the Government and contractors. It leaves untouched the momentous questions of reemployment of discharged employees as a result of such contract termination.

Frankly, I am naive enough to believe that these fiscal problems are not unrelated and should not be considered without reference to problems confronting the employees who are bereft of jobs and who may be left stranded as a result of contract cancelation and termination. I am interested in the human side of this problem as well as the material side. Involved in the human and labor aspects are the speedy reconversion of war plants to civilian production or the reutilization of these plants to other war production.

The instant bill only deals with one sector of this difficulty, namely the financial liability of the Government to the war contractors.

We all agreed that there should be a peacetime economy of full employment. We may differ as to which path should be trodden to reach that goal. I would like to have a peacetime economy that would produce as much, if not more, than was produced in our highest level of wartime production. If we fall short of that goal, we invite bristling difficulties.

To divorce the problem of reemployment from the problem of satisfying financially the contractor is equivalent to a half-hearted solution of this vast field of view.

In addition, there are the questions of disposition of surplus property, the stimulation and furtherance of activity in agriculture. There are various bills being considered by various committees dealing with war production, reconversion, post-war adjustments, expansion of foreign trade, taxation and social security measures, public works employment, and enhancement of agricultural pursuits. To my mind this seems like taking 17 bites off a cherry. All such well-intentioned and well-meaning inquiries by these various committees should be under some over-all umbrella-like supervision, but that supervision, apparently, is lacking. It is true that the House Post-war Planning Committee is considering all these factors, but when it comes to bills involving remedies four or five committees are at work. This is a piecemeal approach to a gigantic problem that requires a coordinated approach.

There is need for speedy action on cancelation and satisfaction of fiscal claims, but that proposition cannot be considered in a vacuum. See what happened in the Brewster case. Thirteen thousand workers were suddenly catapulted out of their jobs by a summary cancelation of contracts for the manufacture of planes. No notice of cancelations was given. On the eve of invasion, the facilities and manpower of the Brewster plant remain idle. Unless drastic steps are taken, we have the disturbing spectacle of a waste we can ill afford. The Navy Department, apparently, did not consider the use of that plant for other war work despite the fact that Donald Nelson, Chairman of the War Production Board, urges greater war production as April records fall below March. The Brewster facilities and 13,000 workers are rather hors de combat because no plans had existed for continued use of such man and material power.

The Brewster fiasco highlights the need for integrated remedies. It clearly shows the fallacy of thinking it is possible to deal with one aspect of demobilization without, at the same time, considering other aspects. We can see the importance of the labor side of this situation. It is clearly discernible when we realize that the President has interested himself and has promised personally to investigate the Navy's abrupt cancelation of the Brewster contracts and to find other means of re-employment for the discharged employees. He recognizes the hardship visited upon these men and women. He recognizes the hardship resulting from lack of planning and that others besides stockholders must be considered in these contract cancelations.

It has been said that the workers could pack up and go to other areas just as a soldier does. That is rather a cavalier answer. It is not very easy for these employes to assume the roles of a civilian pup-tent army. There are questions of housing and transportation, all vital to migrating workers. Furthermore, these workers do not know where to go where work may be found. There is no effective directing agency to tell them where to go. There are no effective signposts to guide them.

There will be many Brewster cases. The instant bill does not help in that regard. It only helps those with financial interest in war contracts.

Furthermore, in this particular Brewster plant, there was a six-million-dollar housing project built for the workers. These houses built at the public's expense may now become vacant. If these and many other tragic mistakes are to be avoided, an over-all mechanism must be set up and guiding principles laid down to utilize facilities which become available and to utilize the skilled and unskilled labor who find themselves without jobs. Machinery must be provided for cut-backs or lowered production schedules, for increasing essential civilian production, for training displaced workers, for maintaining their purchasing power, and above all, for maximizing the use of their skills and abilities to achieve greater production in the war effort and in peacetime as well.

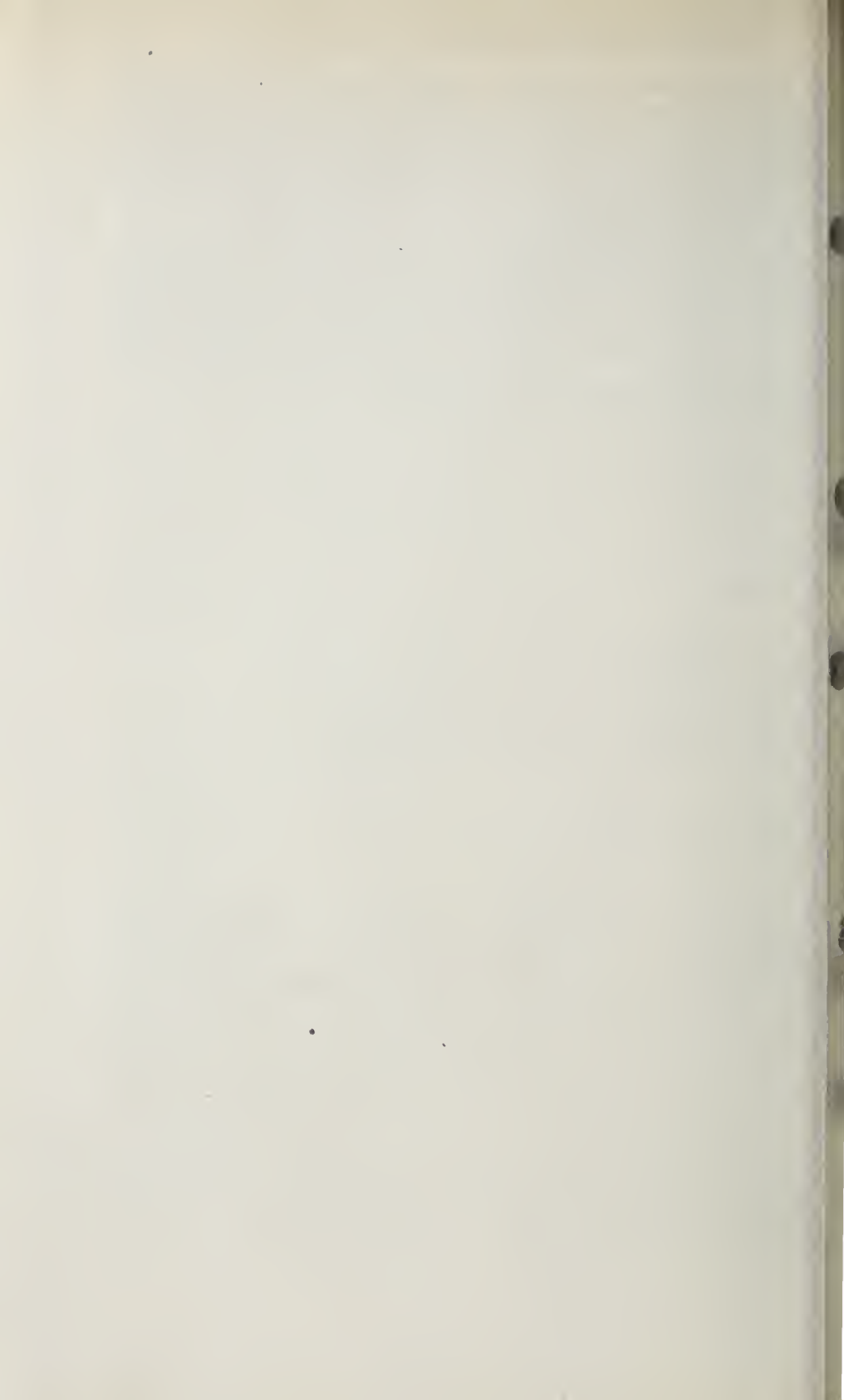
In addition, thereto, provision may have to be made for emergency unemployment compensation benefits to tide the worker over from unemployment to employment. Every worker is entitled to preserve intact his family life. It may be necessary for the Government to step in to help. Preference in that regard must be accorded ex-servicemen. Provision may have to be made for a suitable job

or "interim placement benefits." Benefits may also have to be paid in general for service as well as non service men and women and benefits paid for partial unemployment and partial disability. It will be incumbent upon any work administrator to provide free vocational education and training to ex-servicemen as well as to civilians for stated periods, during which time, whether they be family or single men, maintenance allowances will have to be provided.

In all this speed is necessary.

The primary purpose of this supplemental report is to spur on or "needle" into action the committees which now have jurisdiction over these matters. I would prefer one committee to consider these various factors and facets of this problem in an over-all remedial manner, but since these four or five committees have already been given jurisdiction, it is hoped they will not delay in giving us the benefit of their research and deliberation.





78TH CONGRESS
2D SESSION

S. 1718

[Report No. 1590]

IN THE HOUSE OF REPRESENTATIVES

MAY 5, 1944

Referred to the Committee on the Judiciary

JUNE 1, 1944

Reported with an amendment, committed to the Committee of the Whole House
on the state of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To provide for the settlement of claims arising from terminated war contracts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 OBJECTIVES OF THE ACT

SECTION 1. The Congress hereby declares that the ob-
 jectives of this Act are—

6 ~~(a)~~ to facilitate maximum war production during
7 the war; and to expedite reconversion from war produc-
8 tion to civilian production as war conditions permit;

9 ~~(b)~~ to assure to prime contractors and subcon-
10 tractors, small and large, speedy and equitable final

1 settlement of claims under terminated war contracts;
2 and adequate interim financing until such final settle-
3 ment;

4 (c) to assure uniformity among Government
5 agencies in basic policies and administration with re-
6 spect to such termination settlements and interim
7 financing;

8 (d) to facilitate the efficient use of materials, man-
9 power, and facilities for war and civilian purposes by
10 providing prime contractors and subcontractors with
11 notice of termination of their war contracts as far in
12 advance of the cessation of work thereunder as is feasi-
13 ble and consistent with the national security;

14 (e) to assure the expeditious removal from the plants
15 of prime contractors and subcontractors of termination
16 inventory not to be retained or sold by the contractor;

17 (f) to use all practicable methods compatible
18 with the foregoing objectives to prevent improper pay-
19 ments and to detect and prosecute fraud.

20 SURVEILLANCE BY CONGRESS

21 SEC. 2. (a) To assist the Congress in appraising the ad-
22 ministration of this Act and in developing such amendments
23 or related legislation as may further be necessary to accom-
24 plish the objectives of the Act, the appropriate committees of
25 the Senate and the House of Representatives shall study each

1 report submitted to the Congress under this Act and shall
2 otherwise maintain continuous surveillance of the operations
3 of the Government agencies under the Act.

4 (b) In January, April, July, and October of each year,
5 the Director shall submit to the Senate and House of Repre-
6 sentatives a quarterly report on the exercise of his duties and
7 authority under this Act, the status of contract terminations,
8 termination settlements, and interim financing and such other
9 pertinent information on the administration of the Act as will
10 enable the Congress to evaluate its administration and the
11 need for amendments and related legislation.

12 DEFINITIONS

13 SEC. 3. As used in this Act—

14 (a) The term “prime contract” means any contract,
15 agreement, or purchase order heretofore or hereafter entered
16 into by a contracting agency and connected with or related
17 to the prosecution of the war; and the term “prime con-
18 tractor” means any holder of one or more prime contracts.

19 (b) The term “subcontract” means any contract, agree-
20 ment, or purchase order heretofore or hereafter entered into
21 to perform all or any part of the work, or to make or furnish
22 any material to the extent that such material is required for
23 the performance of any one or more prime contracts or of
24 any one or more other subcontracts; and the term “subcon-
25 tractor” means any holder of one or more subcontracts.

1 (e) The term "war contract" means a prime contract
2 or a subcontract; and the term "war contractor" means any
3 holder of one or more war contracts.

4 (d) The terms "termination", "terminate", and "ter-
5 minated" refer to the termination or cancellation, in whole
6 or in part, of work under a prime contract for the convenience
7 or at the option of the Government (except for default of
8 the prime contractor) or of work under a subcontract for
9 any reason except the default of the subcontractor.

10 (e) The term "material" includes any article, com-
11 modity, machinery, equipment, accessory, part, component,
12 assembly, work in process, maintenance, repair, and oper-
13 ating supplies, and any product of any kind.

14 (f) The term "Government agency" means any execu-
15 tive department of the Government, or any administrative
16 unit or subdivision thereof, any independent agency or any
17 corporation owned or controlled by the United States in the
18 executive branch of the Government, and includes any
19 contracting agency.

20 (g) The term "contracting agency" means any Gov-
21 ernment agency which has been or hereafter may be author-
22 ized to make contracts pursuant to section 201 of the First
23 War Powers Act, 1941, and includes the Reconstruction
24 Finance Corporation and any corporation organized pursuant

1 to the Reconstruction Finance Corporation Act (47 Stat. 5);
2 as amended; and the Smaller War Plants Corporation.

3 (h) The term "termination claim" means any claim or
4 demand by a war contractor for fair compensation for the
5 termination of any war contract and any other claim under
6 a terminated war contract, which regulations prescribed under
7 this Act authorize to be asserted and settled in connection
8 with any termination settlement.

9 (i) The term "interim financing" includes advance pay-
10 ments, partial payments, loans, discounts, advances, and
11 commitments in connection therewith, and guaranties of loans,
12 discounts, advances, and commitments in connection there-
13 with and any other type of financing made in contemplation
14 of or related to termination of war contracts.

15 (j) The term "Director" means the Director of Contract
16 Settlement.

17 (k) The term "person" means any individual corpora-
18 tion, partnership, firm, association, trust, estate, or other
19 entity.

20 (l) The term "termination inventory" means any ma-
21 terials (including a proper part of any common materials),
22 properly allocable to a terminated war contract, except any
23 machinery or equipment subject to a separate contract spe-
24 cifically governing the use or disposition thereof.

1 ~~(m)~~ The term "final and conclusive", as applied to any
 2 settlement, finding, or decision, means that such settlement,
 3 finding, or decision shall not be reopened, annulled, modified,
 4 set aside, or disregarded by any officer, employee, or agent
 5 of the United States or in any suit, action, or proceeding.

6 DIRECTOR OF CONTRACT SETTLEMENT

7 SEC. 4. ~~(a)~~ There is hereby established the Office of
 8 Contract Settlement which shall be headed by the Director
 9 of Contract Settlement. The Director shall be appointed by
 10 the President, by and with the advice and consent of the
 11 Senate, and shall receive compensation at the rate of \$12,000
 12 per year, and shall serve for a term of two years.

13 ~~(b)~~ In order to insure uniform and efficient adminis-
 14 tration of the provisions of this Act, the Director, subject to
 15 such provisions, by general orders or general regulations—

16 ~~(1)~~ shall coordinate the activities of all Govern-
 17 ment agencies under this Act;

18 ~~(2)~~ shall prescribe policies, principles, methods, pro-
 19 cedures, and standards to govern the exercise of their
 20 authority and discretion and the performance of their
 21 duties and functions under this Act; and

22 ~~(3)~~ may require or restrict the exercise of any
 23 such authority and discretion, or the performance of
 24 any such duty or function, to such extent as he deems
 25 necessary to carry out the provisions of this Act.

1 ~~(c)~~ The exercise of any authority or discretion and
2 the performance of any duty or function, conferred or im-
3 posed on any Government agency by this Act, shall be
4 subject to such orders and regulations prescribed by the
5 Director pursuant to subsection ~~(b)~~ of this section. Each
6 Government agency shall carry out such orders and regula-
7 tions of the Director expeditiously, and shall issue such regu-
8 lations with respect to its operations and procedures as may
9 be necessary to carry out the policies, principles, methods,
10 procedures, and standards prescribed by the Director. Any
11 Government agency may issue such further regulations not
12 inconsistent with the general orders or regulations of the
13 Director as it deems necessary or desirable to carry out the
14 provisions of this Act.

15 ~~(d)~~ The Director may, within the limits of funds
16 which may be made available, employ and fix the compen-
17 sation of necessary personnel without regard to the pro-
18 visions of the civil-service laws and the Classification Act
19 of 1923 and make expenditures for supplies, facilities, and
20 services necessary for the performance of his functions under
21 this Act. The Director shall perform the duties imposed
22 upon him through the personnel and facilities of the con-
23 tracting agencies and other established Government agencies,
24 to the extent that this does not interfere with the function of

1 the Director to insure uniform and efficient administration
2 of the provisions of this Act.

3 CONTRACT SETTLEMENT ADVISORY BOARD

4 SEC. 5. There is hereby created a Contract Settlement
5 Advisory Board, with which the Director shall advise and
6 consult. The Board shall be composed of the Director, who
7 shall act as its Chairman, and of the Secretary of War, the
8 Secretary of the Navy, the Secretary of the Treasury, the
9 Chairman of the Maritime Commission, the Administrator of
10 the Foreign Economic Administration, the Chairman of the
11 Board of Directors of the Reconstruction Finance Corpora-
12 tion, the Chairman of the War Production Board, the chair-
13 man of the board of directors of the Smaller War Plants
14 Corporation, and the Attorney General, or any alternate or
15 representative designated by any of them. The Director
16 shall request other Government agencies to participate in
17 the deliberations of the Board whenever matters specially
18 affecting them are under consideration.

19 SETTLEMENT OF TERMINATION CLAIMS

20 SEC. 6. (a) It is the policy of the Government, and it
21 shall be the responsibility of the contracting agencies and
22 the Director, to provide war contractors, in accordance with
23 and subject to the provisions of this Act, with speedy and
24 fair compensation for the termination of any war contract,
25 including, but not limited to, reasonable costs solely incident to

1 termination and settlement, reasonable costs of removing and
2 storing termination inventories, and such allowance for profit
3 on the preparations made and work done for the terminated
4 part of the contract as is reasonable under the circumstances,
5 plus interest on the termination claim in accordance with
6 subsection (c) of this section. Such fair compensation for
7 the termination of subcontracts shall be based on the same
8 principles as compensation for the termination of prime
9 contracts.

10 (b) Where any war contract does not provide for or
11 provides against such fair compensation for its termination,
12 the contracting agency, either before or after its termination,
13 shall amend such war contract by agreement with the war
14 contractor, or shall authorize, approve, or ratify an amend-
15 ment of such war contract by the parties thereto, to provide
16 for such fair compensation.

17 (c) Any contracting agency may settle all or any part of
18 any termination claim under any war contract by agreement
19 with the war contractor, or by determination of the amount
20 due on the claim or part thereof without such agreement, or
21 by any combination of these methods. Where any such
22 settlement is made by agreement, the settlement shall be
23 final and conclusive, except (1) to the extent otherwise
24 agreed in the settlement; (2) for fraud; (3) upon rene-
25 gotiation to eliminate excessive profits under the Renegotia-

tion Act, unless exempt or exempted under that Act; or ~~(4)~~
by mutual agreement before or after payment. Where any
such settlement is made by determination without
agreement, it shall likewise be final and conclusive,
subject to the same exceptions as if made by agreement,
unless the war contractor appeals or brings suit in accordance with section 13 of this Act.

~~(d)~~ Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of $2\frac{1}{2}$ per centum per annum for the period beginning thirty days after the date fixed for termination and ending with the date of final payment, except that ~~(1)~~ if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue from the period of such delay; ~~(2)~~ if interest for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder; and ~~(3)~~ if after delivery of findings by a contracting agency, the contractor appeals or sues as provided in section 13, interest shall not accrue after the thirtieth day following the delivery of the findings on any amount allowed by such findings, unless such

1 amount is increased upon such appeal or suit. In approv-
2 ing, ratifying, authorizing, or making termination settlements
3 with subcontractors, each contracting agency shall allow
4 interest on the termination claim of the subcontractor on the
5 same basis and subject to the same conditions as are ap-
6 plicable to a prime contractor.

7 SEC. 7. (a) Each contracting agency shall establish
8 methods and standards, suitable to the conditions of various
9 war contractors, for determining fair compensation for the
10 termination of war contracts on the basis of actual, standard,
11 average, or estimated costs, or of a percentage of the contract
12 price based on the estimated percentage of completion of
13 work under the terminated contract, or on any other equitable
14 basis, as it deems appropriate. To the extent that such
15 methods and standards require accounting, they shall be
16 adapted, so far as practicable, to the accounting systems
17 used by war contractors, if consistent with sound accounting
18 practice.

19 (b) Where, in connection with the settlement of any
20 termination claim by a contracting agency, any war con-
21 tractor makes settlements of the termination claims of his
22 subcontractors, the contracting agency shall limit or omit
23 its review of such settlements with subcontractors to the
24 maximum extent compatible with the public interest. Any
25 contracting agency (1) may approve, ratify, or authorize such

1 settlements with subcontractors upon such evidence, terms,
2 and conditions as it deems proper; ~~(2)~~ shall vary the scope
3 and intensity of its review of such settlements according to
4 the reliability of the war contractor, the size, number, and
5 complexity of such claims, and other relevant factors; and
6 ~~(3)~~ shall authorize war contractors to make such settlements
7 with subcontractors without review by the contracting
8 agency, whenever the reliability of the war contractor, the
9 amount or nature of the claims, or other reasons appear to
10 the contracting agency to justify such action. Any such
11 settlement of a subcontract approved, ratified, or authorized
12 by a contracting agency shall be final and conclusive as to
13 the amount due to the same extent as a settlement under
14 subsection ~~(c)~~ of section 6 of this Act, and no war con-
15 tractor shall be liable to the United States on account of any
16 amounts paid thereon except for his own fraud.

17 ~~(c)~~ Any contracting agency may exercise supervision
18 or control over payments to war contractors on account of
19 termination claims of subcontractors of such war contractors
20 to such extent and in such manner as it deems necessary or
21 desirable for the purpose of assuring the receipt of the benefit
22 of such payments by the subcontractors.

23 ~~(d)~~ The Director shall prescribe policies and methods
24 for the settlement as a group, or otherwise, by any contract-
25 ing agency of some or all of the termination claims of a war

1 contractor under war contracts with one or more ~~(1)~~ bureaus
2 or divisions within a contracting agency; ~~(2)~~ contracting
3 agencies; or ~~(3)~~ prime contractors and subcontractors, to
4 the extent he deems such action necessary or desirable for
5 expeditious and equitable settlement of such claims. After
6 consulting with the contracting agencies concerned, the Di-
7 rector may provide for assigning any war contractor to a
8 contracting agency for such settlement, and such agency shall
9 have authority to settle, on behalf of any other contracting
10 agency, some or all of the termination claims of such war
11 contractor.

12 ~~(c)~~ Any contracting agency may settle directly termina-
13 tion claims of subcontractors to the extent that it deems
14 such action necessary or desirable for the expeditious and
15 equitable settlement of such claims. In making such termi-
16 nation settlements any contracting agency may discharge
17 the claim of the subcontractor by payment or may purchase
18 such claim, and may agree to assume, or indemnify the sub-
19 contractor against, any claims by any person in connection
20 with such claim or the termination settlement. Any con-
21 tracting agency undertaking to settle the termination claim
22 of any subcontractor shall deliver to the subcontractor and
23 the war contractor liable to him written notice stating its
24 acceptance of responsibility for settling his claim and the con-
25 ditions applicable thereto, which may include the release

1 or assignment to the contracting agency, of his claim against
2 the war contractor liable to him; upon consent thereto by
3 the subcontractor, the Government shall become liable for
4 the settlement of his claims upon the conditions specified in
5 the notice.

6 (f) Any contracting agency may make settlements with
7 subcontractors in accordance with any of the provisions of
8 this Act without regard to any limitation on the amount pay-
9 able by the Government to the prime contractor.

10 (g) If any contracting agency determines that in the
11 circumstances of a particular case equity and good con-
12 science require fair compensation for the termination of a war
13 contract to be paid to a subcontractor who has been deprived
14 of and cannot otherwise reasonably secure such fair compen-
15 sation, the contracting agency concerned may pay such com-
16 pensation to him although such compensation already has
17 been included and paid as part of a settlement with another
18 war contractor.

19

INTERIM FINANCING

20 SEC. 8. (a) It is the policy of the Government, and it
21 shall be the responsibility of the contracting agencies and the
22 Director, in accordance with and subject to the provisions
23 of this Act, to provide war contractors having any termina-
24 tion claim or claims, pending their settlement, with adequate

1 interim financing, within thirty days after proper application
2 therefor.

3 (b) Each contracting agency shall, to the greatest ex-
4 tent it deems practicable, make available interim financing
5 through loans and discounts, and commitments and guar-
6 anties in connection therewith, in contemplation of or related
7 to termination of war contracts. Where interim financing is
8 made by advance payments or partial payments, it shall, inso-
9 far as practicable, consist of the following:

10 (1) An amount equal to 100 per centum of the amount
11 payable, at the contract price, on account of acceptable items
12 completed prior to the termination date under the terms of
13 the contract, or completed thereafter with the approval of the
14 contracting agency; plus

15 (2) An amount equal to 90 per centum of the cost of
16 raw materials, purchased parts, supplies, direct labor, and
17 manufacturing overhead allocable to the terminated part of
18 the war contract; plus

19 (3) A reasonable percentage of other allowable costs,
20 including administrative overhead, allocable to the terminated
21 war contract not included in the foregoing; plus

22 (4) Such additional amounts, if any, as the contracting
23 agency deems necessary or desirable in the public interest.

24 (5) In lieu of the costs referred to in clauses (2) and

1 ~~(3)~~ of this subsection, where a detailed ascertainment of such
 2 costs is not suitable to the conditions of any war contractor
 3 and is apt to cause delay in the obtaining of interim financing
 4 by him, that portion of such interim financing shall be equal
 5 to an amount not greater than 90 per centum of the estimated
 6 costs which are allocable to the terminated part or parts of
 7 the war contract or group of war contracts, and are ascer-
 8 tained in accordance with such methods and standards as the
 9 Director shall prescribe.

10 ~~(6)~~ There shall be deducted from the amount of such
 11 interim financing any unliquidated balances of advance and
 12 partial payments theretofore made to such war contractor,
 13 which are allocable to the terminated war contract or the
 14 terminated part of the war contract.

15 ~~(e)~~ The Director shall prescribe ~~(1)~~ the types of esti-
 16 mates, certificates, or other evidence to be required to support
 17 such interim financing; ~~(2)~~ the terms and conditions upon
 18 which such interim financing shall be made including the use
 19 of standard forms for agreements with respect to such interim
 20 financing to the extent practicable; ~~(3)~~ the classes of cases
 21 in which such interim financing shall be refused; and ~~(4)~~
 22 such methods of supervision and control over such interim
 23 financing as he deems necessary or desirable to assure ade-
 24 quate and speedy interim financing to subcontractors of the
 25 war contractor.

1 (d) Whenever he deems such action necessary or desir-
2 able to protect the Government's interest, the Director may
3 prescribe such penalties as he deems proper for any overstate-
4 ment by any war contractor of the amount due on his termina-
5 tion claim or claims in connection with any interim financing
6 under this Act, but no such penalty shall exceed 6 per centum
7 per annum on the amount of such overstatement. Any
8 such penalty may be deducted from any amounts due the
9 war contractor upon such termination claim or claims, or
10 otherwise, or may be collected from the war contractor by
11 suit. The obligation to pay any such penalty and to repay
12 any interim financing made or assumed by the United States
13 under this Act shall constitute a debt due to the United States
14 within the meaning of Revised Statutes, section 3466 (31
15 U. S. C., sec. 191).

16 (e) Any contracting agency may allow any advance
17 payments, previously made or authorized by it in connec-
18 tion with the performance of a war contract, to be used
19 for payments and expenses related to the termination settle-
20 ment of such contract, upon such terms and conditions as it
21 deems necessary or appropriate to protect the interest of
22 the Government.

23 (f) No interim financing shall be made by any contract-
24 ing agency under this Act unless the terms of such financing

1 provide for the liquidation by the war contractor of all
2 loans, discounts, advance payments, or partial payments
3 thereunder not later than the time of final payment of the
4 amount due on the settlement of the termination claim or
5 claims of the war contractor involved or such time there-
6 after as the contracting agency deems necessary for the
7 liquidation of such interim financing in an orderly manner.

8 (g) Any contracting agency may settle, upon such terms
9 and conditions as it deems proper, any claim or obligation due
10 by or to the Government arising from or related to any in-
11 terim financing made, acquired, or authorized by it. Any
12 interim financing made, acquired, or authorized by any con-
13 tracting agency before the effective date of this Act shall be
14 valid to the extent it would be authorized under the provisions
15 of this Act if made after its effective date.

16 SEC. 9. (a) Any contracting agency may make advance
17 or partial payments to any war contractor on account of
18 any termination claim or claims, and may authorize, ap-
19 prove, or ratify any such advance or partial payments by
20 any war contractor to his subcontractors, upon such condi-
21 tions as it deems necessary to insure compliance with the
22 provisions of subsection (b) of this section. Each contract-
23 ing agency shall make final payments from time to time on
24 partial settlements or on settlements fixing a minimum

1 amount due before complete settlement, or as tentative pay-
2 ments before any settlement of the claim or claims.

3 ~~(b)~~ Where any such advance or partial payment is
4 made to any war contractor by any contracting agency or
5 by another war contractor under this section, except a final
6 payment on a partial settlement, any amount in excess of
7 the amount finally determined to be due on the termination
8 claim shall be treated as a loan from the Government to
9 the war contractor receiving it, and shall be payable upon
10 demand together with a penalty computed at the rate of
11 6 per centum per annum, for the period from the date such
12 excess advance or partial payment is received to the date
13 on which such excess is repaid or extinguished. Where the
14 advance or partial payment was made by a war contractor
15 and authorized, approved, or ratified by any contracting
16 agency, the war contractor making it shall not be liable for
17 any such excess payment in the absence of fraud on his part
18 and shall receive payment or credit from the Government
19 for the amount of such excess payment.

20 SEC. 10. (a) Any contracting agency is authorized—

21 (1) to enter into contracts with any Federal Re-
22 serve bank, or other public or private financing institu-
23 tion, guaranteeing such financing institution against loss
24 of principal or interest on loans, discounts, or advances

1 or on commitments in connection therewith, which such
2 financing institution may make to any war contractor
3 or to any person who is or has been engaged in perform-
4 ing any operation deemed by such contracting agency
5 to be connected with or related to war production, for
6 the purpose of financing such war contractor or other
7 person in connection with or in contemplation of the
8 termination of one or more such war contracts or opera-
9 tions;

10 (2) to make, enter into contracts to make, or to
11 participate with any Government agency, any Federal
12 Reserve bank or public or private financing institution
13 in making loans, discounts, or advances, or commitments
14 in connection therewith, for the purpose of financing any
15 such war contractor or other person in connection with
16 or in contemplation of the termination of such war con-
17 tracts or operations.

18 (b) Any such loan, discount, advance, guaranty, or
19 commitment in connection therewith may be secured by
20 assignment of, or covenants to assign, some or all of the
21 rights of such war contractor or other person in connection
22 with the termination of such war contracts or operations, or
23 in such other manner as the contracting agency may pre-
24 scribe.

25 (c) Subject to such regulations as the Board of Gover-

1 ners of the Federal Reserve System may prescribe with the
 2 approval of the Director, any Federal Reserve bank is au-
 3 thorized to act, on behalf of the contracting agencies, as fiscal
 4 agent of the United States in carrying out the purposes of
 5 this Act.

6 (d) This section shall not limit or affect any authority
 7 of any contracting agency, under any other statute, to make
 8 loans, discounts, or advances, or commitments in connection
 9 therewith or guaranties thereof.

10 ADVANCE NOTICE

11 SEC. 11. (a) In order to facilitate the efficient use of
 12 materials, manpower, and facilities for war and civilian pur-
 13 poses, each contracting agency—

14 (1) shall provide its prime contractors with notice
 15 of termination of their prime contracts as far in advance
 16 of the cessation of work thereunder as is feasible and
 17 consistent with the national security without permitting
 18 unneeded production or performance;

19 (2) shall permit the continuation of some or all of
 20 the work under a terminated prime contract whenever
 21 the agency deems that such continuation will benefit the
 22 Government or is necessary to avoid substantial injury
 23 to the plant or property.

24 (b) Whenever a contracting agency hereafter directs a
 25 prime contractor to cease or suspend all or a substantial part

1 of the work under a prime contract, without terminating the
 2 contract, then, unless the contract provides otherwise, ~~(1)~~
 3 the contracting agency shall compensate the contractor for
 4 reasonable costs and expenses resulting from such cessation
 5 or suspension, and ~~(2)~~ if the cessation or suspension extends
 6 for thirty days or more, the contractor may elect to treat it
 7 as a termination by delivering written notice of his election
 8 so to do to the contracting agency, at any time before the
 9 contracting agency directs the prime contractor to resume
 10 work under the contract.

11 ~~(c)~~ The Director shall have no authority under this
 12 Act to regulate or control the classes of contracts to be
 13 terminated by the contracting agencies.

14 REMOVAL AND STORAGE OF MATERIALS

15 SEC. 12 ~~(a)~~ It is the policy of the Government, upon
 16 the termination of any war contract, to assure the expeditious
 17 removal from the plant of the war contractor of the termina-
 18 tion inventory not to be retained or sold by the war con-
 19 tractor.

20 ~~(b)~~ Any war contractor may submit to the contracting
 21 agency concerned or to any other Government agency desig-
 22 nated by the Director, one or more statements showing the
 23 materials which such war contractor claims to be termination
 24 inventory under one or more war contracts and desires to
 25 have removed by the Government. Such statements shall be

1 prepared in such form and detail, shall be submitted in such
2 manner, through the prime contractor or otherwise, and shall
3 be supported by such certificates or other data, as may be
4 prescribed under this Act.

5 (c) Within sixty days after the submission of any such
6 statement by a war contractor, or such shorter period as
7 may be prescribed under this Act, or within such longer period
8 as the war contractor may agree, the Government agency
9 concerned (1) shall arrange, upon such terms and conditions
10 as may be agreed, for the storage by the war contractor on
11 his own premises or elsewhere of all such claimed termination
12 inventory which the war contractor does not retain or dis-
13 pose of, except any part which may be determined not to be
14 allocable to the terminated war contract or contracts, or
15 (2) shall remove from the plant or plants of the war con-
16 tractor all of such claimed termination inventory not retained,
17 disposed of, or stored by the war contractor or determined
18 not to be allocable to the terminated war contract or con-
19 tracts.

20 (d) Upon the failure of the Government so to arrange
21 for storage by the war contractor or to remove any termina-
22 tion inventory within the period specified under subsection
23 (c) of this section, the war contractor, subject to regulations
24 prescribed under this Act, may remove some or all of such
25 termination inventory from his plant or plants and may

1 store it on his own premises or elsewhere for the account
2 and at the risk and expense of the Government, using reason-
3 able care for its transportation and preservation. If any
4 war contractor intends so to remove any claimed termination
5 inventory, he shall deliver to the Government agency con-
6 cerned written notice of the date fixed for removal and a state-
7 ment showing the quantities and condition of the materials
8 so to be removed, certified on behalf of the war contractor
9 to have been prepared in accordance with a concurrent
10 physical inventory of such materials. Such notice and state-
11 ment shall be delivered at least twenty days in advance of
12 the date fixed for removal and may be delivered before or
13 after the expiration of the period specified under subsection
14 (e) of this section. If the Government agency fails to check
15 such materials, at or before the time of their removal by
16 the war contractor, a certificate of the war contractor specify-
17 ing the materials shown on such statement which were so
18 removed, and filed with the Government agency concerned
19 within thirty days after the date fixed for removal, shall
20 constitute prima facie evidence against the United States as
21 to the quantities and condition of the material so removed,
22 and the fact of their removal.

23 (e) Notwithstanding any other provisions of law, but
24 subject to subsection (h) of this section, the contracting
25 agency concerned or the Director, or any Government agency

1 designated by him, on behalf of the United States, may, by
2 the exercise of any contract rights or otherwise, acquire and
3 take possession of any termination inventory of any war con-
4 tractor, and any materials removed by the Government or
5 stored for its account under subsections (e) and (d) of this
6 section, even if such materials are finally determined not
7 to constitute termination inventory. With respect to any
8 such materials, the Government shall be liable to any war
9 contractor concerned only for their return to such war
10 contractor or for their disposal value at the time of their
11 removal or for the proceeds realized by the Government from
12 their disposal, at the election of the Government agency con-
13 cerned, unless the Government agency and the war contractor
14 agree or have agreed on a different basis. Any amount so
15 paid or payable to a war contractor for materials allocable
16 to a terminated war contract shall be credited against the
17 termination claim under such contract but shall not other-
18 wise affect the amount due on the claim, unless the Govern-
19 ment agency concerned and the war contractor agree or have
20 agreed otherwise. Any materials to which the Director takes
21 title under this section shall be delivered for disposal to any
22 appropriate Government agency authorized to make such
23 disposal.

24 (f) No contracting agency shall postpone or delay any
25 termination settlement beyond the period specified in subsec-

tion ~~(e)~~ of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection ~~(b)~~ of this section.

~~(g)~~ Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned machinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within sixty days after such demand or such other period as may be prescribed under this Act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provision for the retention, storage, maintenance, or disposition of such machinery, tools, or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this Act, may remove all or part of such

1 machinery, tools, or equipment from his plant and may store
 2 it on his own premises or elsewhere, for the account and
 3 at the risk and expense of the Government, using reasonable
 4 care for its transportation and preservation.

5 (h) Nothing in this Act shall limit or affect the author-
 6 ity of the War Department, Navy Department, or Maritime
 7 Commission, respectively, to take over any termination in-
 8 ventories and to retain them for their use for any purpose
 9 or to dispose of such termination inventories for the purpose
 10 of war production, or to authorize any war contractor to
 11 retain or dispose of such termination inventories for the
 12 purpose of war production.

13 (i) Nothing in this section shall be construed to prevent
 14 the removal and storage of any termination inventory by any
 15 war contractor, at his own risk, at any time after termination
 16 of any war contract to which it is allocable.

17 APPEAL

18 SEC. 13. (a) Whenever the contracting agency respon-
 19 sible for settling any termination claim has not settled the
 20 claim by agreement or has so settled only a part of the
 21 claim, (1) the contracting agency at any time may deter-
 22 mine the amount due on such claim or such unsettled part,
 23 and prepare written findings indicating the basis of the
 24 determination, and deliver a copy of such findings to the
 25 war contractor, or (2) if the termination claim has been

1 submitted in the manner and substantially the form pre-
2 scribed under this Act, the contracting agency, upon
3 written demand by the war contractor for such findings,
4 shall determine the amount due on the claim or unsettled
5 part and prepare and deliver such findings to the war
6 contractor within ninety days after the receipt by the
7 agency of such demand. In preparing such findings, the
8 contracting agency may require the war contractor to
9 furnish such information and to submit to such audits as
10 may be reasonably necessary for that purpose. Within
11 thirty days after the delivery of any such findings, the
12 contracting agency shall pay to the war contractor at least
13 90 per centum of the amount thereby determined to be due,
14 after deducting the amount of any outstanding interim
15 financing applicable thereto.

16 (b) Whenever any war contractor is aggrieved by the
17 findings of a contracting agency on his claim or part thereof
18 or by its failure to make such findings in accordance with
19 subsection (a) of this section, he may, at his election—

20 (1) appeal to the Appeal Board in accordance
21 with subsection (d) of this section; or

22 (2) bring suit against the United States for such
23 claim or such part thereof, in the Court of Claims or in a
24 United States district court, in accordance with sub-
25 section (20) of section 24 of the Judicial Code (28

U. S. C. 44 (20)), except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.

(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

(1) When any contracting agency provides a procedure within the agency for protest against such findings or for other appeal therefrom by the war contractor, the war contractor, before proceeding under subsection (b) of this section, (i) in his discretion may resort to such procedure within the time specified in his contract or, if no time is specified, within thirty days after the delivery to him of the findings; and (ii) shall resort to such procedure for protest or other appeal to the extent required by the Director, but failure of the contracting agency to act on any such required protest or appeal within thirty days shall operate as a refusal by the agency to modify its findings. Any revision of the findings by the contracting agency, upon protest or appeal within the agency, shall be treated as the findings of the agency for the purpose of appeal or suit under subsection (b)

1 of this section. Notwithstanding any contrary provision
2 in any war contract, no war contractor shall be required
3 to protest or appeal from such findings within the con-
4 tracting agency except in accordance with this para-
5 graph.

6 (2) A war contractor may initiate proceedings in
7 accordance with subsection (b) of this section (i) within
8 ninety days after delivery to him of the findings by the
9 contracting agency, or (ii) in case of protest or appeal
10 within the agency, within ninety days after the determi-
11 nation of such protest or appeal, or (iii) in case of fail-
12 ure to deliver such findings, within one year after his
13 demand therefor. If he does not initiate such proceed-
14 ings within the time specified, he shall be precluded
15 thereafter from initiating any proceedings in accordance
16 with subsection (b) of this section, and the findings of
17 the contracting agency shall be final and conclusive, or
18 if no findings were made, he shall be deemed to have
19 waived such termination claim.

20 (3) Notwithstanding any contrary provision in any
21 war contract, the Appeal Board or court shall not be
22 bound by the findings of the contracting agency, but
23 shall treat such findings as prima facie correct, and the
24 burden shall be on the war contractor to establish that
25 the amount due on his claim or part thereof exceeds

1 the amount allowed by the findings of the contracting
2 agency. Whenever the Appeal Board or court finds that
3 the war contractor failed to negotiate in good faith with
4 the contracting agency for the settlement of his claim or
5 part thereof before appeal or suit thereon, or failed to
6 furnish to the agency any information reasonably re-
7 quested by it regarding his termination claim or part
8 thereof, or failed to prosecute diligently any protest or
9 appeal required to be taken under subsection (c) (1)
10 (ii) of this section, the Appeal Board or court (i) may
11 refuse to receive in evidence any information not sub-
12 mitted to the contracting agency; (ii) may deny in-
13 terest on the claim or part thereof for such period as
14 it deems proper; or (iii) may remand the case to the
15 contracting agency for further proceedings upon such
16 terms as the Appeal Board or court may prescribe.
17 Unless the case is remanded, the Appeal Board or
18 court shall enter the appropriate award or judg-
19 ment on the basis of the law and facts, and may
20 increase or decrease the amount allowed by the findings
21 of the contracting agency.

22 (1) When a war contractor has initiated such pro-
23 ceedings by one method under subsection (b) of this
24 section, he shall be precluded from initiating proceedings
25 on the same claim by any other method.

1 ~~(5)~~ Any such proceedings shall not affect the
2 authority of the contracting agency concerned to make
3 a settlement of the termination claim, or any part thereof,
4 by agreement with the war contractor at any time before
5 such proceedings are concluded.

6 ~~(d)~~ ~~(1)~~ The Director shall appoint an Appeal Board,
7 composed of such number of members as he deems necessary
8 from time to time to hear appeals under this section. He
9 shall, without regard to the provisions of the civil-service laws
10 and the Classification Act of 1923, appoint and fix the com-
11 pensation and term of office of the members of the Appeal
12 Board.

13 ~~(2)~~ Panels of one or more members may act for the
14 Appeal Board and shall sit from time to time in localities
15 throughout the country, reasonably convenient for war con-
16 tractors having proceedings before them. A panel of one
17 member of the Appeal Board may hear any appeal when-
18 ever ~~(i)~~ the amount in controversy in the appeal is \$25,000
19 or less; or ~~(ii)~~ the amount in controversy exceeds \$25,000,
20 but the war contractor taking the appeal fails to demand a
21 panel of three members at the time of filing his appeal. A
22 decision of the Appeal Board or of any panel thereof shall
23 be final and conclusive and shall not be subject to review
24 by any court or other agency.

25 ~~(3)~~ The Director or, if authorized by him, the Appeal

1 Board shall prescribe the practice and procedure to govern
2 proceedings for the Appeal Board. The Appeal Board or
3 any panel thereof shall have power to administer oaths to
4 witnesses and to compel by subpoena the attendance of wit-
5 nesses, and the production of books, papers, documents, and
6 other records. All provisions of law (including penalties
7 and provisions relating to self-incrimination) applicable with
8 respect to subpoenas issued under the Federal Trade Com-
9 mission Act shall be applicable with respect to subpoenas issued
10 by the Appeal Board insofar as such provisions are not
11 inconsistent with the provisions of this Act.

12 (e) The contracting agency responsible for settling any
13 claim and the war contractor asserting the claim, by agree-
14 ment, may submit all or any part of the termination claim
15 to arbitration, without regard to the amount in dispute.
16 Such arbitration proceedings shall be governed by the provi-
17 sions of the United States Arbitration Act. Any such arbi-
18 tration award shall be final and conclusive upon the United
19 States to the same extent as a settlement by agreement
20 under subsection (b) of section 6.

21 (f) Whenever any dispute exists between any war
22 contractor and a subcontractor regarding any termination
23 claim, either of them, by agreement with the other, may
24 submit the dispute—

1 ~~(1)~~ to the Appeal Board in accordance with sub-
2 section ~~(d)~~ of this section;

3 ~~(2)~~ to a contracting agency for mediation or arbi-
4 tration whenever authorized by the agency or required
5 by the Director.

Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

10 COURT OF CLAIMS

11 SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

(b) The Attorney General, under such rules as the Court of Claims shall prescribe, may cause any and all persons with legal capacity to sue and be sued, wherever located, actually to be notified, or on specific order of the court, to be notified by publication, and if within the

1 jurisdiction of the United States, at the discretion of the
2 Attorney General, to be served with subpoena, to appear as a
3 party or parties in any suit or proceeding of any nature
4 whatsoever pending in said court and to assert and defend
5 their interests, if any, in such suits or proceedings, within
6 such period of time prior to judgment as the Court of Claims
7 shall prescribe. Upon failure so to appear, any and all
8 claims or interests in claims of any such person against the
9 United States, in respect of the subject matter of such suit
10 or proceeding, shall forever be barred and the court shall
11 have jurisdiction to enter judgment pro confesso upon any
12 claim or contingent claim asserted on behalf of the United
13 States against any party who, having been duly served with
14 subpoena, fails to respond thereto, to the same extent and with
15 like effect as if such party had appeared and had admitted
16 the truth of all allegations made on behalf of the United
17 States. Upon appearance by any party pursuant to any
18 such notice or subpoena, the case as to such party shall, for
19 all purposes, be treated as if an independent proceeding had
20 been instituted by such party pursuant to section 145 of the
21 Judicial Code, as amended, and as if such independent pro-
22 ceeding had then been consolidated, for purposes of trial and
23 determination, with the case in respect of which the notice
24 or subpoena was issued, except that the United States shall
25 not be heard upon any counterclaims, claims for damages or

1 other demands whatsoever against such party, other than
2 claims and contingent claims for the recovery of money here-
3 after paid by the United States in respect of the transaction
4 or matter which constitutes the subject matter of such case,
5 unless and until such party shall assert therein a claim, or
6 an interest in a claim, against the United States, and the
7 Court of Claims shall have jurisdiction to adjudicate, as
8 between any and all adverse claimants, their respective
9 several interests in any matter in suit and to award several
10 judgments in accordance therewith.

11 (c) The jurisdiction of the Court of Claims shall not
12 be affected by this Act except to the extent necessary to
13 give effect to this Act, and no party shall recover judg-
14 ment on any claim, or on any interest in any claim,
15 in said court which such party would not have had a right
16 to assert if this section had not been enacted.

17 PERSONAL FINANCIAL LIABILITY

18 SEC. 15. (a) Whenever any payment is made from
19 Government funds to any war contractor or other person
20 as an advance, partial or final payment on any termination
21 claim, or pursuant to any loan, guaranty, or agreement for
22 the purchase of any loan, or any commitment in connection
23 therewith, entered into by the Government, no officer or
24 other Government agent authorizing or approving such pay-
25 ment or settlement, or certifying the voucher for such pay-

1 ment, or making the payment in accordance with a duly
 2 certified voucher, shall be personally liable for such pay-
 3 ment, in the absence of fraud on his part. In settling the
 4 accounts of any disbursing officer the General Accounting
 5 Office shall allow any such disbursements made by him not-
 6 withstanding any other provisions of law.

7 (b) For the purpose of making termination settlements
 8 or interim financing any Government agency is authorized
 9 to rely upon such certificates of war contractors as it deems
 10 proper and to permit war contractors and other persons to
 11 rely upon such certificates without financial liability in the
 12 absence of fraud on their part.

13 THE GENERAL ACCOUNTING OFFICE

14 SEC. 16. (a) Any other provision of law notwithstand-
 15 ing, the function of the General Accounting Office with
 16 respect to any termination settlement made, authorized, rati-
 17 fied, or approved by a contracting agency shall be confined
 18 to determining, after final settlement, (1) whether the settle-
 19 ment payments to the war contractor were made in accord-
 20 ance with the settlement, and (2) whether the records trans-
 21 mitted to it, or other information, warrant a reasonable belief
 22 that the settlement was induced by fraud.

23 (b) Whenever the General Accounting Office believes
 24 that any settlement was induced by fraud, the Comptroller
 25 General of the United States shall report all of the facts

1 relating thereto to the Director, to the Department of
2 Justice, and to the contracting agency concerned, but
3 shall not suspend or withhold, or direct, or require
4 any contracting agency to suspend or withhold, by
5 set-off or otherwise, any amounts owing to the war con-
6 tractor by the United States under such settlement or
7 otherwise and shall not suspend credit to any disbursing
8 officer for any disbursements made by him under such settle-
9 ment. In any such case the contracting agency on its own
10 initiative may, and upon order of the Director shall, take
11 such action as it deems appropriate to recover or withhold
12 payments to such war contractor.

13 ~~(e)~~ The Comptroller General may investigate the settle-
14 ments completed by each contracting agency for the purpose
15 of reporting to the Congress from time to time on—

16 ~~(1)~~ whether the settlement methods and procedures
17 employed by such agency are of a kind and type de-
18 signed to result in expeditious and fair settlements in
19 accordance with and subject to the provisions of this Act
20 and the orders and regulations of the Director;

21 ~~(2)~~ whether such methods and procedures are fol-
22 lowed by such agency with care and efficiency; and

23 ~~(3)~~ whether such methods and procedures ade-
24 quately protect the interest of the Government.

25 If in any such report the Comptroller General shall find

1 that the settlement methods and procedures fail to meet the
 2 foregoing standards, he shall make suggestions and recom-
 3 mendations to such agency for the improvement of such
 4 methods and procedures and to the Congress for any addi-
 5 tional legislation needed to carry out the policies of this Act.
 6 At least thirty days before filing any such report with the
 7 Congress, the Comptroller General shall deliver a copy
 8 thereof to the agency concerned and the Director, and shall
 9 forward to the Congress together with such report any com-
 10 ments of such agency with respect thereto.

11 (d) The jurisdiction of the Comptroller General of the
 12 United States shall not be affected by this Act except to the
 13 extent necessary to give effect to the specific provisions
 14 thereof.

15 DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

16 SEC. 17. (a) Where any person has arranged to fur-
 17 nish or furnished to a contracting agency or to a war con-
 18 tractor any materials, services, or facilities related to the
 19 prosecution of the war, without a valid contract, relying in
 20 good faith upon the apparent authority of an officer or
 21 agent of a contracting agency, written or oral instructions,
 22 or any other request to proceed from a contracting agency,
 23 the contracting agency shall pay such person fair compen-
 24 sation therefor.

25 (b) Whenever any formal or technical defect or omission

1 in any prime contract, or in any grant of authority to an
 2 officer or agent of a contracting agency who ordered any ma-
 3 terials, services, and facilities might invalidate the contract
 4 or commitment, the contracting agency ~~(1)~~ shall not take
 5 advantage of such defect or omission; ~~(2)~~ shall amend, con-
 6 firm, or ratify such contract or commitment without consider-
 7 ation in order to cure such defect or omission; and ~~(3)~~ shall
 8 make a fair settlement of any obligation thereby created or
 9 incurred by such agency, whether expressed or implied, in
 10 fact or in law, or in the nature of an implied or quasi
 11 contract.

12 ~~(c)~~ Where a contracting agency fails to settle by agree-
 13 ment any claim asserted under this section, the dispute shall
 14 be subject to the provisions of section 13 of this Act.

15 ~~(d)~~ The Director shall require each contracting agency
 16 to formalize all such obligations and commitments within
 17 such period as the Director deems appropriate.

18 RECORDS, FORMS, AND REPORTS

19 SEC. 18. ~~(a)~~ The Director shall establish policies for
 20 such supervision and review within the contracting agencies
 21 of termination settlements and interim financing as he deems
 22 necessary and appropriate to prevent and detect fraud and
 23 to assure uniformity in administration and to provide for
 24 expeditious settlements. For this purpose he shall prescribe
 25 ~~(1)~~ such records to be prepared by the contracting agencies

1 and by war contractors as he deems necessary in connection
2 with such settlements and interim financing; and ~~(2)~~ the
3 records in connection therewith to be transmitted to the Gen-
4 eral Accounting Office. He shall seek to reduce the amount
5 of record keeping, reporting, and accounting in connection
6 with the settlement of termination claims and interim financ-
7 ing to the minimum compatible with the reasonable protec-
8 tion of the public interest. Each contracting agency shall
9 prescribe forms for use by war contractors in connection with
10 termination settlements and interim financing to the extent
11 it deems necessary and feasible.

12 (b) The Director shall require the Government agencies
13 performing functions under this Act to prepare such infor-
14 mation and reports regarding terminations of war contracts,
15 settlements of termination claims, and interim financing, as
16 he deems necessary to assist him in appraising their oper-
17 ations or to assist him or other Government agencies in
18 performing their functions under this Act, and may pre-
19 scribe the terms and conditions upon which such information
20 and reports shall be made available to other Government
21 agencies. The Director may require any Government agency
22 to furnish such information under its control as he deems
23 necessary for the performance of his functions under this Act,
24 but any such agency, in its discretion, may furnish any such

1 information deemed by it to affect the national security only
2 to the Director himself.

3 (e) The Director, by regulation, shall provide for
4 making available to any interested Government agency
5 such advance notice and other information on cut-
6 backs in war production resulting from terminations or
7 failures to renew or extend war contracts, as he deems neces-
8 sary and appropriate.

9 (d) The Director shall make such investigations as he
10 deems necessary or desirable in connection with termination
11 settlements and interim financing. For this purpose he may
12 utilize the facilities of any existing agencies and if he deter-
13 mines that the facilities of existing agencies are inadequate, he
14 may establish a unit in the Office of Contract Settlement to
15 supplement and facilitate the work of existing agencies. He
16 shall report to the Department of Justice any information
17 received by him indicating any fraudulent practices, for
18 appropriate action.

19 PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

20 SEC. 19. (a) It shall be unlawful for any person will-
21 fully to secrete, mutilate, obliterate, or destroy, or cause to
22 be secreted, mutilated, obliterated, or destroyed—

23 (i) any records of a war contractor relating to the
24 negotiation, award, performance, payment, interim

financing, cancellation or other termination, or settlement of a war contract of \$25,000 or more; or

(ii) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more, until (1) five years after such disposition of termination inventory by such war contractor or Government agency, or (2) five years after the final settlement of such war contract, or (3) five years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress, whichever applicable period is longer.

As used in this subsection, the term "records" includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than five years, or both: *Provided, however,* That the Director, by regulation, may authorize the destruction of such records upon such terms and conditions as he deems appropriate, which may include the making and re-

1 taining of photographs or microphotographs. Photographs
2 or microphotographs of any records made in compliance with
3 such regulations of the Director shall have the same force
4 and effect as the originals thereof would have and shall be
5 treated as originals for the purpose of admissibility in evi-
6 dence.

7 (b) The first section of the Act of August 24, 1942
8 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is
9 amended to read as follows:

10 “The running of any existing statute of limitations ap-
11 plicable to any offense against the laws of the United States
12 (1) involving defrauding or attempts to defraud the United
13 States or any agency thereof whether by conspiracy or not,
14 and in any manner, or (2) committed in connection with
15 the negotiation, procurement, award, performance, payment
16 for, interim financing, cancellation or other termination or
17 settlement, of any contract, subcontract, or purchase order
18 which is connected with or related to the prosecution of the
19 present war, or with any disposition of termination inventory
20 by any war contractor or Government agency, shall be sus-
21 pended until three years after the termination of hostilities
22 in the present war as proclaimed by the President or by
23 a concurrent resolution of the two Houses of Congress.
24 This section shall apply to acts, offenses, or transactions
25 where the existing statute of limitations has not yet fully run,

1 but it shall not apply to acts, offenses, or transactions which
2 are already barred by provisions of existing law.”

3 ~~(e)~~ ~~(1)~~ Every person who makes or causes to be made,
4 or presents or causes to be presented to any officer, agent,
5 or employee of any Government agency any claim, bill,
6 receipt, voucher, statement, account, certificate, affidavit, or
7 deposition, knowing the same to be false, fraudulent, or
8 fictitious or knowing the same to contain or to be based
9 on any false, fraudulent, or fictitious statement or entry, or
10 who shall cover up or conceal any material fact, or who
11 shall use or engage in any other fraudulent trick, scheme, or
12 device, for the purpose of securing or obtaining, or aiding
13 to secure or obtain, for any person any benefit, payment,
14 compensation, allowance, loan, advance, or emolument from
15 the United States or any Government agency in connection
16 with the termination, cancellation, settlement, payment, nego-
17 tiation, renegotiation, performance, procurement, or award
18 of a contract with the United States or with any other person,
19 and every person who enters into an agreement, combina-
20 tion, or conspiracy so to do, shall forfeit and refund any such
21 benefit, payment, compensation, allowance, loan, advance,
22 and emolument received as a result thereof and shall in
23 addition pay to the United States the sum of \$2,000 for
24 each such act, and double the amount of any damage which

1 the United States may have sustained by reason thereof,
2 together with the costs of suit.

(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

(d) The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this Act or under any regulations pursuant to this Act.

~~GENERAL PROVISIONS~~

SEC. 20. (a) Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this Act, (1) to make any contract necessary and appropriate to carry out the provisions of this Act; (2)

1 to amend by agreement any existing contract, either before or
2 after notice of its termination, on such terms and to such
3 extent as it deems necessary and appropriate to carry out
4 the provisions of this Act; and ~~(3)~~ in settling any termina-
5 tion claim, to agree to assume, or indemnify the war con-
6 tractor against, any claims by any person in connection with
7 such termination claims or settlement. This subsection shall
8 not limit or affect in any way any authority of any contract-
9 ing agency under the First War Powers Act, 1941, or under
10 any other statute.

11 ~~(b)~~ Any contracting agency may prescribe the amount
12 and kind of evidence required to identify any person as a
13 war contractor, or any contract, agreement, or purchase
14 order as a war contract for any of the purposes of this Act.
15 Any determination so made that any person is a war con-
16 tractor, or that any contract, agreement, or purchase order
17 is a war contract, shall be final and conclusive for any of
18 the purposes of this Act.

19 ~~(c)~~ There are hereby authorized to be appropriated
20 such sums as may be necessary for administering the provi-
21 sions of this Act.

22 ~~(d)~~ All policies and procedures relating to termination
23 of war contracts, termination settlements, and interim financ-
24 ing, prescribed by the Director of War Mobilization or any
25 contracting agency, in effect upon the effective date of this

1 Act, and not inconsistent with this Act, shall remain in full
2 force and effect unless and until superseded by the Director
3 in accordance with this Act, or by regulations of the con-
4 tracting agency not inconsistent with this Act or the policies
5 prescribed by the Director.

6 (e) Nothing in this Act shall be deemed to impair or
7 modify any war contract or any term or provision of any
8 war contract or any assignment of any claim under a war
9 contract, without the consent of the parties thereto, if the
10 war contract, or the term, provision, or assignment thereof,
11 is otherwise valid.

12 (f) Any contracting agency shall authorize or direct its
13 officers and employees to advise, aid, and assist war con-
14 tractors in preparing and presenting termination claims, in
15 obtaining interim financing, and in related matters, to such
16 extent as it deems desirable. Any such advice, aid, or
17 assistance shall be treated as part of his official duties and
18 shall not constitute a violation of section 109 of the Criminal
19 Code (18 U. S. C. 198) or of any other law.

20 The Smaller War Plants Corporation is hereby directed—

21 (a) to disseminate information among small busi-
22 ness concerns with respect to interim financing, termina-
23 tion settlements, removal and storage of termination
24 inventories pursuant to the provisions of this Act and
25 the regulations of the Director; and

(b) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing; the effecting of termination settlements; and the removal and storage of termination inventories, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

OTHER FUNCTIONS OF THE DIRECTOR

SEC. 24. In addition to his other functions under this Act, the Director shall—

(a) promote the training of personnel for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing.

(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible;

1 ~~(d)~~ consult with war contractors through advisory
2 committees or such other methods as he deems appro-
3 priate.

4 USE OF APPROPRIATED FUNDS

5 SEC. 22. Any contracting agency is authorized—

6 ~~(a)~~ to use for interim financing, the payment of
7 claims, and for any other purposes authorized in this
8 Act any funds which have heretofore been appropriated
9 or allocated or which may hereafter be appropriated or
10 allocated to it, or which are or may become available
11 to it, for such purposes or for the purposes of war
12 production or war procurement;

13 ~~(b)~~ to use any such funds appropriated, allocated,
14 or available to it for expenditures for or in behalf of any
15 other contracting agency for the purposes authorized in
16 this Act;

17 ~~(c)~~ to determine by agreement, joint estimate, or
18 any other method authorized by the Director, the part
19 of any expenditure made pursuant to subsection ~~(b)~~
20 hereof to be paid by each contracting agency concerned
21 and to make transfers of funds between such contracting
22 agencies accordingly. Transfers of funds between ap-
23 propriations carried upon the books of the Treasury shall
24 be made by the Secretary of the Treasury in accordance
25 with joint requests of the contracting agencies involved.

DELEGATION OF AUTHORITY

SEC. 23. (a) The Director may delegate any authority and discretion conferred upon him by this Act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer, agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute.

APPLICABILITY

SEC. 24. (a) This Act shall become effective twenty days after the date of its enactment. The provisions of paragraphs (b), (c), (d), and (e), of section 12, and of sections 6, 7, 8, 9, 10, and 13 shall not be applicable in the case of

1 any terminated war contract which has been finally settled at
2 or before the effective date of this Act.

3 ~~(b)~~ Nothing in this Act shall limit or affect any author-
4 ity conferred by the Act of March 41, 1941 (55 Stat. 31),
5 as amended, or Acts supplemental thereto.

6 SEC. 25. Subject to policies prescribed by the Director,
7 any contracting agency may exempt from some or all of the
8 provisions of this Act ~~(a)~~ any war contract made or to be
9 performed outside the continental limits of the United States
10 or in Alaska, or ~~(b)~~ any termination inventory situated
11 outside of the continental limits of the United States or in
12 Alaska, or ~~(c)~~ any modification of a war contract pursuant
13 to its terms for the purpose of changing plans or specifica-
14 tions applicable to the work without substantially reducing
15 its extent.

16 SEPARABILITY OF PROVISIONS

17 SEC. 26. If any provision of this Act, or the application
18 of such provision to any person or circumstance, is held in-
19 valid, the remainder of this Act or the application of such
20 provision to persons or circumstances other than those as to
21 which it is held invalid, shall not be affected thereby.

22 SHORT TITLE

23 SEC. 27. This Act may be cited as the "Contract Settle-
24 ment Act of 1944".

OBJECTIVES OF THE ACT

SECTION 1. *The Congress hereby declares that the objectives of this Act are—*

(a) *to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;*

(b) *to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement;*

(c) *to assure uniformity among Government agency in basic policies and administration with respect to such termination settlements and interim financing;*

(d) *to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;*

(e) *to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;*

1 (f) to use all practicable methods compatible
2 with the foregoing objectives to prevent improper pay-
3 ments and to detect and prosecute fraud.

4 SURVEILLANCE BY CONGRESS

5 SEC. 2. (a) To assist the Congress in appraising the ad-
6 ministration of this Act and in developing such amendments
7 or related legislation as may further be necessary to accom-
8 plish the objectives of the Act, the appropriate committees of
9 the Senate and the House of Representatives shall study each
10 report submitted to the Congress under this Act and shall
11 otherwise maintain continuous surveillance of the operations
12 of the Government agencies under the Act.

13 (b) In January, April, July, and October of each year,
14 the Director shall submit to the Senate and House of Repre-
15 sentatives a quarterly progress report on the exercise of his
16 duties and authority under this Act, the status of contract ter-
17 minations, termination settlements, and interim financing and
18 such other pertinent information on the administration of the
19 Act as will enable the Congress to evaluate its administration
20 and the need for amendments and related legislation.

21 DEFINITIONS

22 SEC. 3. As used in this Act—

23 (a) The term “prime contract” means any contract,
24 agreement, or purchase order heretofore or hereafter entered
25 into by a contracting agency and connected with or related

1 to the prosecution of the war; and the term "prime con-
2 tractor" means any holder of one or more prime contracts.

3 (b) The term "subcontract" means any contract, agree-
4 ment, or purchase order heretofore or hereafter entered into
5 to perform all or any part of the work, or to make or furnish
6 any material to the extent that such material is required for
7 the performance of any one or more prime contracts or of
8 any one or more other subcontracts; and the term "subcon-
9 tractor" means any holder of one or more subcontracts.

10 (c) The term "war contract" means a prime contract
11 or a subcontract; and the term "war contractor" means any
12 holder of one or more war contracts.

13 (d) The terms "termination", "terminate", and "ter-
14 minated" refer to the termination or cancelation, in whole
15 or in part, of work under a prime contract for the convenience
16 or at the option of the Government (except for default of
17 the prime contractor) or of work under a subcontract for
18 any reason except the default of the subcontractor.

19 (e) The term "material" includes any article, com-
20 modity, machinery, equipment, accessory, part, component,
21 assembly, work in process, maintenance, repair, and oper-
22 ating supplies, and any product of any kind.

23 (f) The term "Government agency" means any execu-
24 tive department of the Government, or any administrative
25 unit or subdivision thereof, any independent agency or any

1 corporation owned or controlled by the United States in the
2 executive branch of the Government, and includes any
3 contracting agency.

4 (g) The term "contracting agency" means any Gov-
5 ernment agency which has been or hereafter may be author-
6 ized to make contracts pursuant to section 201 of the First
7 War Powers Act, 1941, and includes the Reconstruction
8 Finance Corporation and any corporation organized pursuant
9 to the Reconstruction Finance Corporation Act (47 Stat. 5),
10 as amended, the Smaller War Plants Corporation, and the
11 War Production Board.

12 (h) The term "termination claim" means any claim or
13 demand by a war contractor for fair compensation for the
14 termination of any war contract and any other claim under
15 a terminated war contract, which regulations prescribed under
16 this Act authorize to be asserted and settled in connection
17 with any termination settlement.

18 (i) The term "interim financing" includes advance pay-
19 ments, partial payments, loans, discounts, advances, and
20 commitments in connection therewith, and guaranties of loans,
21 discounts, advances, and commitments in connection there-
22 with and any other type of financing made in contemplation
23 of or related to termination of war contracts.

24 (j) The term "Director" means the Director of Contract
25 Settlement.

1 (k) The term "person" means any individual, corpora-
 2 tion, partnership, firm, association, trust, estate, or other
 3 entity.

4 (l) The term "termination inventory" means any ma-
 5 terials (including a proper part of any materials common
 6 to two or more contracts), properly allocable to a terminated
 7 war contract, except any machinery or equipment subject to
 8 a separate contract specifically governing the use or dispo-
 9 sition thereof.

10 (m) The term "final and conclusive", as applied to any
 11 settlement, finding, or decision, means that such settlement,
 12 finding, or decision shall not be reopened, annulled, modified,
 13 set aside, or disregarded by any officer, employee, or agent
 14 of the United States or in any suit, action, or proceeding
 15 except as provided in this Act.

16 DIRECTOR OF CONTRACT SETTLEMENT

17 SEC. 4. (a) There is hereby established the Office of
 18 Contract Settlement which shall be headed by the Director
 19 of Contract Settlement. The Director shall be appointed by
 20 the President, by and with the advice and consent of the
 21 Senate, and shall receive compensation at the rate of \$12,000
 22 per year, and shall serve for a term of two years.

23 (b) In order to insure uniform and efficient adminis-
 24 tration of the provisions of this Act, the Director, subject to
 25 such provisions, by general orders or general regulations—

1 (1) shall prescribe policies, principles, methods,
2 procedures, and standards to govern the exercise of the
3 authority and discretion and the performance of the
4 duties and functions of all Government agencies under
5 this Act; and

6 (2) may require or restrict the exercise of any
7 such authority and discretion, or the performance of
8 any such duty or function, to such extent as he deems
9 necessary to carry out the provisions of this Act.

10 (c) The exercise of any authority or discretion and
11 the performance of any duty or function, conferred or im-
12 posed on any Government agency by this Act, shall be
13 subject to such orders and regulations prescribed by the
14 Director pursuant to subsection (b) of this section. Each
15 Government agency shall carry out such orders and regula-
16 tions of the Director expeditiously, and shall issue such regu-
17 lations with respect to its operations and procedures as may
18 be necessary to carry out the policies, principles, methods,
19 procedures, and standards prescribed by the Director. Any
20 Government agency may issue such further regulations not
21 inconsistent with the general orders or regulations of the
22 Director as it deems necessary or desirable to carry out the
23 provisions of this Act.

24 (d) The Director may, within the limits of funds
25 which may be made available, employ and fix the compen-

1 sation of necessary personnel in accordance with the pro-
 2 visions of the civil-service laws and the Classification Act of
 3 1923 and make expenditures for supplies, facilities, and serv-
 4 ices necessary for the performance of his functions under this
 5 Act. Without regard to the provisions of the civil-service
 6 laws and the Classification Act of 1923, he may employ cer-
 7 tified public accountants, qualified cost accountants, indus-
 8 trial engineers, appraisers, and other experts, and contract
 9 with certified public accounting firms and qualified firms of
 10 engineers in the discharge of the duties imposed upon him
 11 and in furtherance of the objectives and policies of this Act.
 12 The Director shall perform the duties imposed upon him
 13 through the personnel and facilities of the contracting agencies
 14 and other established Government agencies, to the extent that
 15 this does not interfere with the function of the Director to
 16 insure uniform and efficient administration of the provisions
 17 of this Act.

18 (e) All policies, principles, methods, procedures, and
 19 standards when prescribed by the Director pursuant to sub-
 20 section (b) of this section, and all regulations when issued
 21 by any Government agency, pursuant to subsection (c) of this
 22 section, shall be published in the Federal Register.

23 CONTRACT SETTLEMENT ADVISORY BOARD

24 SEC. 5. There is hereby created a Contract Settlement
 25 Advisory Board, with which the Director shall advise and

1 consult. The Board shall be composed of the Director, who
2 shall act as its Chairman, and of the Secretary of War, the
3 Secretary of the Navy, the Secretary of the Treasury, the
4 Chairman of the Maritime Commission, the Administrator of
5 the Foreign Economic Administration, the chairman of the
6 board of directors of the Reconstruction Finance Corpora-
7 tion, the Chairman of the War Production Board, the chair-
8 man of the board of directors of the Smaller War Plants
9 Corporation, and the Attorney General or any alternate or
10 representative designated by any of them. The Director shall
11 request other Government agencies to participate in the
12 deliberations of the Board whenever matters specially affect-
13 ing them are under consideration.

14 SEC. 6. (a) It is the policy of the Government, and it
15 shall be the responsibility of the contracting agencies and the
16 Director, to provide war contractors with speedy and fair
17 compensation for the termination of any war contract, in
18 accordance with and subject to the provisions of this Act.
19 Such fair compensation for the termination of subcontracts
20 shall be based on the same principles as compensation for the
21 termination of prime contracts.

22 (b) Each contracting agency shall establish methods and
23 standards, suitable to the conditions of various war contrac-
24 tors, for determining fair compensation for the termination
25 of war contracts on the basis of actual, standard, average, or

1 *estimated costs, or of a percentage of the contract price based*
2 *on the estimated percentage of completion of work under the*
3 *terminated contract, or on any other equitable basis, as it*
4 *deems appropriate. To the extent that such methods and*
5 *standards require accounting, they shall be adapted, so far*
6 *as practicable, to the accounting systems used by war con-*
7 *tractors, if consistent with recognized commercial accounting*
8 *practice.*

9 *(c) Any contracting agency may settle all or any part*
10 *of any termination claim under any war contract by agree-*
11 *ment with the war contractor, or by determination of the*
12 *amount due on the claim or part thereof without such agree-*
13 *ment, or by any combination of these methods. Where any*
14 *such settlement is made by agreement, the settlement shall*
15 *be final and conclusive, except (1) to the extent otherwise*
16 *agreed in the settlement; (2) for fraud; (3) upon renego-*
17 *tiation to eliminate excessive profits under the Renegotiation*
18 *Act, unless exempt or exempted under that Act; or (4) by*
19 *mutual agreement before or after payment. Where any such*
20 *settlement is made by determination without agreement, it*
21 *shall likewise be final and conclusive, subject to the same*
22 *exceptions as if made by agreement, unless the war contractor*
23 *appeals or brings suit in accordance with section 13 of this*
24 *Act.*

25 *(d) Except as provided below, the methods and stand-*

ards established under subsection (b) of this section for determining fair compensation for termination claims which are not settled by agreement shall allow the costs incurred by the contractor which are reasonably necessary for the performance of the contract, and are properly allocable to the terminated part of the contract under recognized commercial accounting practices, including the direct and indirect manufacturing, selling and distribution, administrative, and other proper costs, and such allowance for profit on the preparations made and work done for the terminated part of the contract as is reasonable under the circumstances, plus interest on the termination claim in accordance with subsection (f) of this section.

In particular, in any such settlement made by determination without agreement, the following costs shall be considered to the extent they are properly allocable to the terminated part of the contract:

(1) The reasonable cost of settling and paying termination claims under terminated subcontracts, including the claims which are common to the terminated contract and to other work of the contractor.

(2) The cost of items of termination inventory.

(3) An allowance for depreciation at appropriate rates on buildings, machinery, and equipment, and other facilities including such amounts for obsolescence due to progress in

1 the arts and other factors as are ordinarily considered in
2 determining depreciation rates, but not including any amount
3 for loss of the type covered by subparagraph (6).

4 (4) General experimental and research expense to the
5 extent consistent with an established pre-war program, or to
6 the extent related to war purposes.

7 (5) Costs of engineering and development and of special
8 tooling, if the contractor protects any interests of the Govern-
9 ment by transfer of title or by other means deemed appro-
10 priate by the contracting agency.

11 (6) Loss on special facilities acquired solely for the
12 performance of the contract, or the contract and other war
13 contracts, to the extent authorized by regulations of the Di-
14 rector, on condition that the contractor protects the interests
15 of the Government by transfer of title to the facilities or by
16 other means deemed appropriate by the contracting agency.

17 (7) (i) Rentals under leases clearly shown to have
18 been made for the performance of the contract, or the con-
19 tract and other war contracts, covering the period neces-
20 sary for complete performance of the contract and such
21 further period as may have been reasonably necessary;
22 (ii) costs of reasonable alteration of such leased prop-
23 erty made for the same purpose; and (iii) costs of restoring
24 the premises, to the extent required by reasonable provisions
25 of the lease; less (iv) the residual value of the lease; pro-

1 *vided that the contractor has made reasonable efforts to termi-*
2 *nate, assign, or settle such leases or otherwise reduce the cost*
3 *thereof.*

4 (8) *Advertising expense to the extent consistent with a*
5 *pre-war program or to the extent reasonable under the cir-*
6 *cumstances.*

7 (9) *In no event shall the aggregate of the amounts*
8 *allowed under paragraphs (4), (5), (6), (7), and (8)*
9 *exceed the amount which would have been available from*
10 *the contract price to cover these items, if the contract had*
11 *been completed, after considering all other costs which would*
12 *have been required to complete it.*

13 (10) *Interest on borrowings.*

14 (11) *Reasonable accounting, legal, clerical, and other*
15 *expenses necessary in connection with the termination and*
16 *settlement of the contract and subcontracts thereunder, includ-*
17 *ing expenses incurred for the purpose of obtaining payment*
18 *from the Government only to the extent reasonably neces-*
19 *sary for the preparation and presentation of settlement*
20 *proposals and cost evidence in connection therewith.*

21 (12) *Storage, transportation, and other costs incurred*
22 *for the protection of materials acquired or produced for the*
23 *contract or in connection with the disposition of such materials.*

24 *Costs of nonrecurring nature which arise from unfam-*
25 *iliarity with the product in the initial stages of production,*

1 such as high direct labor and overhead costs, including
2 training, costs of excessive rejections, and similar items, shall
3 be appropriately apportioned between the completed and
4 terminated parts of the contract.

5 The following shall not be included as elements of cost:

6 (i) Losses on other contracts, or from sales or exchanges
7 of capital assets, fees and other expenses in connection with
8 reorganization or recapitalization, antitrust or Federal
9 income-tax litigation, or prosecution of Federal income-tax
10 claims or other claims against the Government (except as
11 provided in paragraph (11) above); losses on investments;
12 provisions for contingencies; and premiums on life insurance
13 where the contractor is the beneficiary.

14 (ii) The expense of conversion of the contractor's facili-
15 ties to uses other than the performance of the contract.

16 (iii) Expenses due to the negligence or willful failure of
17 the contractor to discontinue with reasonable promptness the
18 incurring of expenses after the effective date of the termina-
19 tion notice.

20 (iv) Costs incurred in respect to facilities, materials,
21 or services purchased or work done in excess of the reason-
22 able quantitative requirements of the entire contract.

23 (v) Costs which, as evidenced by accounting statements
24 submitted in renegotiation under the Renegotiation Act, were

1 charged off during a period covered by a previous renegotia-
2 tion if a refund was made for such period or to the extent
3 that such charging off is shown to have avoided such refund.

4 The failure specifically to mention in this subsection
5 any item of cost is not intended to imply that it should be
6 allowed or disallowed. The Director may interpret the pro-
7 visions of this subsection (d) and may provide for the inclu-
8 sion or exclusion of other costs in accordance with recog-
9 nized commercial accounting practice.

10 Where the small size of claims or the nature of produc-
11 tion or performance or other factors make it impracticable to
12 apply the principles stated in this subsection (d) to any
13 class of settlements which are subject to this subsection (d),
14 the contracting agencies may establish alternative methods
15 and standards for determining fair compensation for that
16 class of termination claims. The aggregate amount of com-
17 pensation allowed in accordance with this subsection (exclud-
18 ing amounts allowed under paragraphs (11) and (12)
19 above) shall not exceed the total contract price reduced by
20 the amount of payments otherwise made or to be made under
21 the contract.

22 (e) In order to carry out the objectives of this Act, ter-
23 mination claims shall be settled by agreement to the maximum
24 extent feasible and the methods and standards established
25 under subsection (b) of this section shall be designed to facili-

1 *tate such settlements. To the extent that he deems it prac-*
2 *ticable to do so without impeding expeditious settlements, the*
3 *Director shall require the contracting agencies to take into*
4 *account the factors enumerated in subsection (d) above in*
5 *establishing methods and standards for determining fair com-*
6 *pensation in the settlement of termination claims by agree-*
7 *ment.*

8 *(f) Each contracting agency shall allow and pay in-*
9 *terest on the amount due and unpaid from time to time on*
10 *any termination claim under a prime contract at the rate of*
11 *2½ per centum per annum for the period beginning thirty*
12 *days after the date fixed for termination and ending with*
13 *the date of final payment, except that (1) if the prime con-*
14 *tractor unreasonably delays the settlement of his claim, in-*
15 *terest shall not accrue for the period of such delay, (2) if*
16 *interest for the period after termination on any advance pay-*
17 *ment or loan, made or guaranteed by the Government, has*
18 *been waived for the benefit of the contractor, the amount of*
19 *the interest so waived allocable to the terminated contract or*
20 *the terminated part of the contract shall be deducted from the*
21 *interest otherwise payable hereunder, and (3) if after de-*
22 *livery of findings by a contracting agency, the contractor*
23 *appeals or sues as provided in section 13, interest shall not*
24 *accrue after the thirtieth day following the delivery of the*
25 *findings on any amount allowed by such findings, unless such*

1 amount is increased upon such appeal or suit. In approv-
2 ing, ratifying, authorizing, or making termination settlements
3 with subcontractors, each contracting agency shall allow
4 interest on the termination claim of the subcontractor on the
5 same basis and subject to the same conditions as are ap-
6 plicable to a prime contractor.

7 (g) Where any war contract does not provide for or
8 provides against such fair compensation for its termination,
9 the contracting agency, either before or after its termination,
10 shall amend such war contract by agreement with the war
11 contractor, or shall authorize, approve, or ratify an amend-
12 ment of such war contract by the parties thereto, to provide
13 for such fair compensation.

14 SEC. 7. (a) Where, in connection with the settlement
15 of any termination claim by a contracting agency, any
16 war contractor makes settlements of the termination claims of
17 his subcontractors, the contracting agency shall limit or omit
18 its review of such settlements with subcontractors to the
19 maximum extent compatible with the public interest. Any
20 contracting agency (1) may approve, ratify, or authorize
21 such settlements with subcontractors upon such evidence,
22 terms, and conditions as it deems proper; (2) shall vary the
23 scope and intensity of its review of such settlements according
24 to the reliability of the war contractor, the size, number, and
25 complexity of such claims, and other relevant factors; and

1 (3) shall authorize war contractors to make such settlements
2 with subcontractors without review by the contracting
3 agency, whenever the reliability of the war contractor, the
4 amount or nature of the claims, or other reasons appear to
5 the contracting agency to justify such action. Any such
6 settlement of a subcontract approved, ratified, or authorized
7 by a contracting agency shall be final and conclusive as to
8 the amount due to the same extent as a settlement under
9 subsection (c) of section 6 of this Act, and no war con-
10 tractor shall be liable to the United States on account of any
11 amounts paid thereon except for his own fraud.

12 (b) Whenever any contracting agency is satisfied of the
13 inability of a war contractor to meet his obligations it shall
14 exercise supervision or control over payments to the war con-
15 tractor on account of termination claims of subcontractors of
16 such war contractor to such extent and in such manner as
17 it deems necessary or desirable for the purpose of assuring
18 the receipt of the benefit of such payments by the
19 subcontractors.

20 (c) The Director shall prescribe policies and meth-
21 ods for the settlement as a group, or otherwise, by any con-
22 tracting agency of some or all of the termination claims of a
23 war contractor under war contracts with one or more (1)
24 bureaus or divisions within a contracting agency, (2) con-
25 tracting agencies, or (3) prime contractors and subcontrac-

1 tors, to the extent he deems such action necessary or desirable
2 for expeditious and equitable settlement of such claims. After
3 consulting with the contracting agencies concerned, the Di-
4 rector may provide for assigning any war contractor to a
5 contracting agency for such settlement, and such agency shall
6 have authority to settle, on behalf of any other contracting
7 agency, some or all of the termination claims of such war
8 contractor.

9 (d) Any contracting agency may settle directly termi-
10 nation claims of subcontractors to the extent that it deems
11 such action necessary or desirable for the expeditious and
12 equitable settlement of such claims. In making such termi-
13 nation settlements any contracting agency may discharge
14 the claim of the subcontractor by payment or may purchase
15 such claim, and may agree to assume, or indemnify the sub-
16 contractor against, any claims by any person in connection
17 with such claim or the termination settlement. Any con-
18 tracting agency undertaking to settle the termination claim
19 of any subcontractor shall deliver to the subcontractor and
20 the war contractor liable to him written notice stating its
21 acceptance of responsibility for settling his claim and the con-
22 ditions applicable thereto, which may include the release,
23 or assignment to the contracting agency, of his claim against
24 the war contractor liable to him; upon consent thereto by
25 the subcontractor, the Government shall become liable for

1 the settlement of his claims upon the conditions specified in
2 the notice.

3 (e) Any contracting agency may make settlements with
4 subcontractors in accordance with any of the provisions of
5 this Act without regard to any limitation on the amount pay-
6 able by the Government to the prime contractor.

7 (f) If any contracting agency determines that in the
8 circumstances of a particular case equity and good con-
9 science require fair compensation for the termination of a war
10 contract to be paid to a subcontractor who has been deprived
11 of and cannot otherwise reasonably secure such fair compen-
12 sation, the contracting agency concerned may nevertheless
13 pay such compensation to him.

14 INTERIM FINANCING

15 SEC. 8. (a) It is the policy of the Government, and it
16 shall be the responsibility of the contracting agencies and the
17 Director, in accordance with and subject to the provisions
18 of this Act, to provide war contractors having any termina-
19 tion claim or claims, pending their settlement, with adequate
20 interim financing, within thirty days after proper application
21 therefor.

22 (b) Each contracting agency shall, to the greatest ex-
23 tent it deems practicable, make available interim financing
24 through loans and discounts, and commitments and guar-
25 anties in connection therewith, in contemplation of or related

1 to termination of war contracts. Where interim financing is
2 made by advance payments or partial payments, it shall, inso-
3 far as practicable, consist of the following:

4 (1) An amount equal to 100 per centum of the amount
5 payable, at the contract price, on account of acceptable items
6 completed prior to the termination date under the terms of
7 the contract, or completed thereafter with the approval of the
8 contracting agency; plus

9 (2) An amount equal to 90 per centum of the cost of
10 raw materials, purchased parts, supplies, direct labor, and
11 manufacturing overhead allocable to the terminated part of
12 the war contract; plus

13 (3) A reasonable percentage of other allowable costs,
14 including administrative overhead, allocable to the terminated
15 war contract not included in the foregoing; plus

16 (4) Such additional amounts, if any, as the contracting
17 agency deems necessary to provide the war contractor with
18 adequate interim financing.

19 (5) In lieu of the costs referred to in clauses (2) and
20 (3) of this subsection, where a detailed ascertainment of such
21 costs is not suitable to the conditions of any war contractor
22 and is apt to cause delay in the obtaining of interim financing
23 by him, that portion of such interim financing shall be equal
24 to an amount not greater than 90 per centum of the estimated
25 costs which are allocable to the terminated part or parts of

1 the war contract or group of war contracts, and are ascer-
2 tained in accordance with such methods and standards as the
3 Director shall prescribe.

4 (6) There shall be deducted from the amount of such
5 interim financing any unliquidated balances of advance and
6 partial payments theretofore made to such war contractor,
7 which are allocable to the terminated war contract or the
8 terminated part of the war contract.

9 (c) The Director shall prescribe (1) the types of esti-
10 mates, certificates, or other evidence to be required to support
11 such interim financing; (2) the terms and conditions upon
12 which such interim financing shall be made including the use
13 of standard forms for agreements with respect to such interim
14 financing to the extent practicable; (3) the classes of cases
15 in which such interim financing shall be refused; and (4)
16 such methods of supervision and control over such interim
17 financing as he deems necessary or desirable to assure ade-
18 quate and speedy interim financing to subcontractors of the
19 war contractor.

20 (d) The obligation to pay any penalty imposed and
21 to repay any interim financing made or assumed by the
22 United States under this Act shall constitute a debt due to
23 the United States within the meaning of Revised Statutes,
24 section 3466 (31 U. S. C., sec. 191).

25 (e) Any contracting agency may allow any advance

1 payments, previously made or authorized by it in connec-
2 tion with the performance of a war contract, to be used
3 for payments and expenses related to the termination settle-
4 ment of such contract, upon such terms and conditions as it
5 deems necessary or appropriate to protect the interest of
6 the Government.

7 (f) No interim financing shall be made by any contract-
8 ing agency under this Act unless the terms of such financing
9 provide for the liquidation by the war contractor of all
10 loans, discounts, advance payments, or partial payments
11 thereunder not later than the time of final payment of the
12 amount due on the settlement of the termination claim or
13 claims of the war contractor involved or such time there-
14 after as the contracting agency deems necessary for the
15 liquidation of such interim financing in an orderly manner.

16 (g) Any contracting agency may settle, upon such terms
17 and conditions as it deems proper, any claim or obligation due
18 by or to the Government arising from or related to any in-
19 terim financing made, acquired, or authorized by it. Any
20 interim financing made, acquired, or authorized by any con-
21 tracting agency before the effective date of this Act shall be
22 valid to the extent it would be authorized under the provisions
23 of this Act if made after its effective date.

24 SEC. 9. (a) Any contracting agency may make advance
25 or partial payments to any war contractor on account of

1 any termination claim or claims, and may authorize, ap-
2 prove, or ratify any such advance or partial payments by
3 any war contractor to his subcontractors, upon such condi-
4 tions as it deems necessary to insure compliance with the
5 provisions of subsection (b) of this section. Each contract-
6 ing agency shall make final payments from time to time on
7 partial settlements or on settlements fixing a minimum
8 amount due before complete settlement, or as tentative pay-
9 ments before any settlement of the claim or claims.

10 (b) Where any such advance or partial payment is
11 made to any war contractor by any contracting agency or
12 by another war contractor under this section, except a final
13 payment on a partial settlement, any amount in excess of
14 the amount finally determined to be due on the termination
15 claim shall be treated as a loan from the Government to
16 the war contractor receiving it, and shall be payable upon
17 demand together with a penalty computed at the rate of
18 6 per centum per annum, for the period from the date such
19 excess advance or partial payment is received to the date
20 on which such excess is repaid or extinguished. Where the
21 advance or partial payment was made by a war contractor
22 and authorized, approved, or ratified by any contracting
23 agency, the war contractor making it shall not be liable for
24 any such excess payment in the absence of fraud on his part

1 and shall receive payment or credit from the Government
2 for the amount of such excess payment.

3 SEC. 10. (a) Any contracting agency is authorized—

4 (1) to enter into contracts with any Federal Re-
5 serve bank, or other public or private financing institu-
6 tion, guaranteeing such financing institution against loss
7 of principal or interest on loans, discounts, or advances
8 or on commitments in connection therewith, which such
9 financing institution may make to any war contractor
10 or to any person who is or has been engaged in perform-
11 ing any operation deemed by such contracting agency
12 to be connected with or related to war production, for
13 the purpose of financing such war contractor or other
14 person in connection with or in contemplation of the
15 termination of one or more such war contracts or opera-
16 tions;

17 (2) to make, enter into contracts to make, or to
18 participate with any Government agency, any Federal
19 Reserve bank or public or private financing institution
20 in making loans, discounts, or advances, or commitments
21 in connection therewith, for the purpose of financing any
22 such war contractor or other person in connection with
23 or in contemplation of the termination of such war con-
24 tracts or operations.

25 (b) Any such loan, discount, advance, guaranty, or

1 commitment in connection therewith may be secured by
2 assignment of, or covenants to assign, some or all of the
3 rights of such war contractor or other person in connection
4 with the termination of such war contracts or operations, or
5 in such other manner as the contracting agency may pre-
6 scribe.

7 (c) Subject to such regulations as the Board of Gover-
8 nors of the Federal Reserve System may prescribe with the
9 approval of the Director, any Federal Reserve bank is au-
10 thorized to act, on behalf of the contracting agencies, as fiscal
11 agent of the United States in carrying out the purposes of
12 this Act.

13 (d) This section shall not limit or affect any authority
14 of any contracting agency, under any other statute, to make
15 loans, discounts, or advances, or commitments in connection
16 therewith or guaranties thereof.

17 ADVANCE NOTICE

18 SEC. 11. (a) In order to facilitate the efficient use of
19 materials, manpower, and facilities for war and civilian pur-
20 poses, each contracting agency—

21 (1) shall provide its prime contractors with notice
22 of termination of their prime contracts as far in advance
23 of the cessation of work thereunder as is feasible and
24 consistent with the national security without permitting
25 unneeded production or performance;

1 (2) shall permit the continuation of some or all of
 2 the work under a terminated prime contract whenever
 3 the agency deems that such continuation will benefit the
 4 Government or is necessary to avoid substantial injury
 5 to the plant or property.

6 (b) Whenever a contracting agency hereafter directs a
 7 prime contractor to cease or suspend all or a substantial part
 8 of the work under a prime contract, without terminating the
 9 contract, then, unless the contract provides otherwise, (1)
 10 the contracting agency shall compensate the contractor for
 11 reasonable costs and expenses resulting from such cessation
 12 or suspension, and (2) if the cessation or suspension extends
 13 for thirty days or more, the contractor may elect to treat it
 14 as a termination by delivering written notice of his election
 15 so to do to the contracting agency, at any time before the
 16 contracting agency directs the prime contractor to resume
 17 work under the contract.

18 (c) The Director shall have no authority under this
 19 Act to regulate or control the classes of contracts to be
 20 terminated by the contracting agencies.

21 REMOVAL AND STORAGE OF MATERIALS

22 SEC. 12. (a) It is the policy of the Government, upon
 23 the termination of any war contract, to assure the expeditious
 24 removal from the plant of the war contractor of the termi-

1 nation inventory not to be retained or sold by the war con-
2 tractor.

3 (b) Any war contractor may submit to the contracting
4 agency concerned or to any other Government agency desig-
5 nated by the Director, one or more statements showing the
6 materials which such war contractor claims to be termination
7 inventory under one or more war contracts and desires to
8 have removed by the Government. Such statements shall be
9 prepared in such form and detail, shall be submitted in such
10 manner, through the prime contractor or otherwise, and shall
11 be supported by such certificates or other data, as may be
12 prescribed under this Act.

13 (c) Within sixty days after the submission of any such
14 statement by a war contractor, or such shorter period as
15 may be prescribed under this Act, or within such longer
16 period as the war contractor may agree, the Government
17 agency concerned (1) shall arrange, upon such terms and
18 conditions as may be agreed, for the storage by the war con-
19 tractor on his own premises or elsewhere of all such claimed
20 termination inventory which the war contractor does not
21 retain or dispose of, except any part which may be deter-
22 mined not to be allocable to the terminated war contract or
23 contracts, or (2) shall remove from the plant or plants of
24 the war contractor all of such claimed termination inventory

1 not retained, disposed of, or stored by the war contractor
2 or determined not to be allocable to the terminated war con-
3 tract or contracts.

4 (d) Upon the failure of the Government so to arrange
5 for storage by the war contractor or to remove any termina-
6 tion inventory within the period specified under subsection
7 (c) of this section, the war contractor, subject to regulations
8 prescribed under this Act, may remove some or all of such
9 termination inventory from his plant or plants and may
10 store it on his own premises or elsewhere for the account
11 and at the risk and expense of the Government, using reason-
12 able care for its transportation and preservation. If any
13 war contractor intends so to remove any claimed termination
14 inventory, he shall deliver to the Government agency con-
15 cerned written notice of the date fixed for removal and a state-
16 ment showing the quantities and condition of the materials
17 so to be removed, certified on behalf of the war contractor
18 to have been prepared in accordance with a concurrent
19 physical inventory of such materials. Such notice and state-
20 ment shall be delivered at least twenty days in advance of
21 the date fixed for removal and may be delivered before or
22 after the expiration of the period specified under subsection
23 (c) of this section. If the Government agency fails to check
24 such materials, at or before the time of their removal by
25 the war contractor, a certificate of the war contractor specify-

1 *ing the materials shown on such statement which were so*
2 *removed, and filed with the Government agency concerned*
3 *within thirty days after the date fixed for removal, shall*
4 *constitute prima facie evidence against the United States as*
5 *to the quantities and condition of the material so removed,*
6 *and the fact of their removal.*

7 *(e) Notwithstanding any other provisions of law, but*
8 *subject to subsection (h) of this section, the contracting*
9 *agency concerned or the Director, or any Government agency*
10 *designated by him, on behalf of the United States, may, by*
11 *the exercise of any contract rights or otherwise, acquire and*
12 *take possession of any termination inventory of any war con-*
13 *tractor, and any materials removed by the Government or*
14 *stored for its account under subsections (c) and (d) of this*
15 *section, even if such materials are finally determined not*
16 *to constitute termination inventory. With respect to any*
17 *such materials, the Government shall be liable to any war*
18 *contractor concerned only for their return to such war*
19 *contractor or for their disposal value at the time of their*
20 *removal or for the proceeds realized by the Government from*
21 *their disposal, at the election of the Government agency con-*
22 *cerned, unless the Government agency and the war contractor*
23 *agree or have agreed on a different basis. Any amount so*
24 *paid or payable to a war contractor for materials allocable*

1 to a terminated war contract shall be credited against the
2 termination claim under such contract but shall not other-
3 wise affect the amount due on the claim, unless the Govern-
4 ment agency concerned and the war contractor agree or have
5 agreed otherwise. Any materials to which the Director takes
6 title under this section shall be delivered for disposal to any
7 appropriate Government agency authorized to make such
8 disposal.

9 (f) No contracting agency shall postpone or delay any
10 termination settlement beyond the period specified in subsec-
11 tion (c) of this section for the purpose of awaiting disposal
12 by the war contractor or the Government of any termination
13 inventory reported in accordance with subsection (b) of this
14 section.

15 (g) Whenever any war contractor no longer requires,
16 for the performance of any war contract, any Government-
17 owned machinery, tools, or equipment installed in his plant
18 for the performance of one or more war contracts, the Gov-
19 ernment agency concerned, upon written demand by the war
20 contractor, and within sixty days after such demand or such
21 other period as may be prescribed under this Act, and upon
22 such conditions as may be so prescribed, shall remove or pro-
23 vide for the removal of such machinery, tools, or equipment
24 from such plant, unless the Government agency concerned
25 and the war contractor, by facilities contract or otherwise,

1 have made or make other provision for the retention, storage,
2 maintenance, or disposition of such machinery, tools, or equip-
3 ment. The Government agency concerned may waive or
4 release on behalf of the United States any obligation of the
5 war contractor with respect to such machinery, tools, or
6 equipment upon such terms and conditions as the agency
7 deems appropriate. Upon the failure of the Government so
8 to remove or provide for removal of any such machinery,
9 tools, or equipment, the war contractor, subject to regulations
10 prescribed under this Act, may remove all or part of such
11 machinery, tools, or equipment from his plant and may store
12 it on his own premises or elsewhere, for the account and
13 at the risk and expense of the Government, using reasonable
14 care for its transportation and preservation.

15 (h) Nothing in this Act shall limit or affect the author-
16 ity of the War Department, Navy Department, or Maritime
17 Commission, respectively, to take over any termination in-
18 ventories and to retain them for their use for any purpose
19 or to dispose of such termination inventories for the purpose
20 of war production, or to authorize any war contractor to
21 retain or dispose of such termination inventories for the
22 purpose of war production.

23 (i) Nothing in this section shall be construed to prevent
24 the removal and storage of any termination inventory by any

1 war contractor, at his own risk, at any time after termination
2 of any war contract to which it is allocable.

3 APPEAL

4 SEC. 13. (a) Whenever the contracting agency respon-
5 sible for settling any termination claim has not settled the
6 claim by agreement or has so settled only a part of the
7 claim, (1) the contracting agency at any time may deter-
8 mine the amount due on such claim or such unsettled part,
9 and prepare written findings indicating the basis of the
10 determination, and deliver a copy of such findings to the
11 war contractor, or (2) if the termination claim has been
12 submitted in the manner and substantially the form pre-
13 scribed under this Act, the contracting agency, upon
14 written demand by the war contractor for such findings,
15 shall determine the amount due on the claim or unsettled
16 part and prepare and deliver such findings to the war
17 contractor within ninety days after the receipt by the
18 agency of such demand. In preparing such findings, the
19 contracting agency may require the war contractor to
20 furnish such information and to submit to such audits as
21 may be reasonably necessary for that purpose. Within
22 thirty days after the delivery of any such findings, the
23 contracting agency shall pay to the war contractor at least
24 90 per centum of the amount thereby determined to be due,

1 *after deducting the amount of any outstanding interim*
2 *financing applicable thereto.*

3 (b) *Whenever any war contractor is aggrieved by the*
4 *findings of a contracting agency on his claim or part thereof*
5 *or by its failure to make such findings in accordance with*
6 *subsection (a) of this section, he may, at his election—*

7 (1) *appeal to the Appeal Board in accordance with*
8 *subsection (d) of this section; or*

9 (2) *bring suit against the United States for such*
10 *claim or such part thereof, in the Court of Claims or in*
11 *a United States district court, in accordance with sub-*
12 *section (20) of section 24 of the Judicial Code (28*
13 *U. S. C. 41 (20)), except that, if the contracting agency*
14 *is the Reconstruction Finance Corporation, or any cor-*
15 *poration organized pursuant to the Reconstruction*
16 *Finance Corporation Act (47 Stat. 5), as amended, or*
17 *any corporation owned or controlled by the United States,*
18 *the suit shall be brought against such corporation in any*
19 *court of competent jurisdiction in accordance with exist-*
20 *ing law.*

21 (c) *Any proceeding under subsection (b) of this sec-*
22 *tion shall be governed by the following conditions:*

23 (1) *When any contracting agency provides a proce-*
24 *dure within the agency for protest against such findings*

1 or for other appeal therefrom by the war contractor, the
2 war contractor, before proceeding under subsection (b) of
3 this section, (i) in his discretion may resort to such pro-
4 cedure within the time specified in this contract or,
5 if no time is specified, within thirty days after the
6 delivery to him of the findings; and (ii) shall resort
7 to such procedure for protest or other appeal to the ex-
8 tent required by the Director, but failure of the contract-
9 ing agency to act on any such required protest or appeal
10 within thirty days shall operate as a refusal by the agency
11 to modify its findings. Any revision of the findings by
12 the contracting agency, upon protest or appeal within
13 the agency, shall be treated as the findings of the agency
14 for the purpose of appeal or suit under subsection (b)
15 of this section. Notwithstanding any contrary provision
16 in any war contract, no war contractor shall be required
17 to protest or appeal from such findings within the con-
18 tracting agency except in accordance with this para-
19 graph.

20 (2) A war contractor may initiate proceedings in
21 accordance with subsection (b) of this section (i) within
22 ninety days after delivery to him of the findings by the
23 contracting agency, or (ii) in case of protests or appeal
24 within the agency, within ninety days after the determi-
25 nation of such protest or appeal, or (iii) in case of fail-

1 *ure to deliver such findings, within one year after his*
2 *demand therefor. If he does not initiate such proceed-*
3 *ings within the time specified, he shall be precluded*
4 *thereafter from initiating any proceedings in accord-*
5 *ance with subsection (b) of this section, and the findings*
6 *of the contracting agency shall be final and conclusive,*
7 *or if no findings were made, he shall be deemed to have*
8 *waived such termination claim.*

9 (3) *Notwithstanding any contrary provision in any*
10 *war contract, the Appeal Board or court shall not be*
11 *bound by the findings of the contracting agency, but*
12 *shall treat such findings as prima facie correct, and the*
13 *burden shall be on the war contractor to establish that*
14 *the amount due on his claim or part thereof exceeds*
15 *the amount allowed by the findings of the contracting*
16 *agency. Whenever the Appeal Board or court finds that*
17 *the war contractor failed to negotiate in good faith with*
18 *the contracting agency for the settlement of his claim or*
19 *part thereof before appeal or suit thereon, or failed to*
20 *furnish to the agency any information reasonably re-*
21 *quested by it regarding his termination claim or part*
22 *thereof, or failed to prosecute diligently any protest or*
23 *appeal required to be taken under subsection (c) (1)*
24 *(ii) of this section, the Appeal Board or court (i) may*
25 *refuse to receive in evidence any information not sub-*

1 mitted to the contracting agency; (ii) may deny in-
2 terest on the claim or part thereof for such period as
3 it deems proper; or (iii) may remand the case to the
4 contracting agency for further proceedings upon such
5 terms as the Appeal Board or court may prescribe.
6 Unless the case is remanded, the Appeal Board or
7 court shall enter the appropriate award or judg-
8 ment on the basis of the law and facts, and may in-
9 crease or decrease the amount allowed by the findings
10 of the contracting agency.

11 (4) Any such proceedings shall not affect the
12 authority of the contracting agency concerned to make
13 a settlement of the termination claim, or any part thereof,
14 by agreement with the war contractor at any time before
15 such proceedings are concluded.

16 (d) (1) The Director shall appoint an Appeal Board,
17 composed of such number of members as he deems necessary
18 from time to time to hear appeals under this section. The
19 members of the Appeal Board shall be qualified and ex-
20 perienced attorneys, engineers, accountants, or persons pos-
21 sessing sufficient business experience or professional skill. He
22 shall, without regard to the provisions of the civil-service laws
23 and the Classification Act of 1923, appoint and fix the com-
24 pensation and term of office of the members of the Appeal
25 Board.

1 (2) Panels of one or more members may act for the
2 Appeal Board and shall sit from time to time in localities
3 throughout the country, reasonably convenient for war con-
4 tractors having proceedings before them. A panel of one
5 member of the Appeal Board may hear any appeal when-
6 ever (i) the amount in controversy in the appeal is \$25,000
7 or less; or (ii) the amount in controversy exceeds \$25,000,
8 but the war contractor taking the appeal fails to demand a
9 panel of three members at the time of filing his appeal.
10 If the war contractor is aggrieved by the decision of the
11 Appeal Board or panel (other than an order remanding the
12 case to the contracting agency under subsection (c) (3) (iii)
13 of this section), then within ninety days after such decision
14 he may bring suit on the claim or unsettled part thereof in
15 accordance with subsection (b) (2) of this section. Such
16 suit shall proceed as if no appeal had been taken under
17 subsection (b) of this section. Upon failure of the war con-
18 tractor so to sue within such period, the decision of the
19 Appeal Board or panel shall be final and conclusive.

20 (3) The Director or, if authorized by him, the Appeal
21 Board shall prescribe the practice and procedure to govern
22 proceedings for the Appeal Board. The Appeal Board or
23 any panel thereof shall have power to administer oaths to
24 witnesses and to compel by subpoena the attendance of wit-
25 nesses, and the production of books, papers, documents, and

1 other records. All provisions of law (including penalties
2 and provisions relating to self-incrimination) applicable with
3 respect to subpoenas issued under the Federal Trade Com-
4 mission Act shall be applicable with respect to subpoenas issued
5 by the Appeal Board insofar as such provisions are not in-
6 consistent with the provisions of this Act.

7 (e) The contracting agency responsible for settling any
8 claim and the war contractor asserting the claim, by agree-
9 ment, may submit all or any part of the termination claim
10 to arbitration, without regard to the amount in dispute.
11 Such arbitration proceedings shall be governed by the provi-
12 sions of the United States Arbitration Act to the same extent
13 as if authorized by an effective agreement in writing between
14 the Government and the war contractor. Any such arbitra-
15 tion award shall be final and conclusive upon the United
16 States to the same extent as a settlement by agreement
17 under subsection (c) of section 6.

18 (f) Whenever any dispute exists between any war
19 contractor and a subcontractor regarding any termination
20 claim, either of them, by agreement with the other, may
21 submit the dispute—

22 (1) to the Appeal Board in accordance with sub-
23 section (d) of this section;

24 (2) to a contracting agency for mediation or arbitra-

tration whenever authorized by the agency or required by the Director.

Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

COURT OF CLAIMS

SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all parties with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe.

1 *If the name and address of such party in interest is known*
2 *or can be ascertained by reasonable diligence, and if he resides*
3 *within the jurisdiction of the United States, he shall be sum-*
4 *moned to appear by personal service; but if such party resides*
5 *outside of the jurisdiction of the United States, or is un-*
6 *known, or if for any other good and sufficient reason appear-*
7 *ing to the court personal service cannot be had, he may be*
8 *summoned by publication, under such rules as the court may*
9 *adopt, together with a copy of the summons mailed by regis-*
10 *tered mail to such party's last known address. Upon failure*
11 *so to appear, any and all claims or interests in claims of any*
12 *such person against the United States, in respect of the subject*
13 *matter of such suit or proceeding, shall forever be barred and*
14 *the court shall have jurisdiction to enter judgment pro confesso*
15 *upon any claim or contingent claim asserted on behalf of the*
16 *United States against any party who, having been duly served*
17 *with subpoena, fails to respond thereto, to the same extent and*
18 *with like effect as if such party had appeared and had admit-*
19 *ted the truth of all allegations made on behalf of the United*
20 *States. Upon appearance by any party pursuant to any*
21 *such notice or subpoena, the case as to such party shall, for*
22 *all purposes, be treated as if an independent proceeding had*
23 *been instituted by such party pursuant to section 145 of the*
24 *Judicial Code, as amended, and as if such independent pro-*
25 *ceeding had then been consolidated, for purposes of trial and*

1 determination, with the case in respect of which the notice
2 or subpoena was issued, except that the United States shall
3 not be heard upon any counterclaims, claims for damages or
4 other demands whatsoever against such party, other than
5 claims and contingent claims for the recovery of money here-
6 after paid by the United States in respect of the transaction
7 or matter which constitutes the subject matter of such case,
8 unless and until such party shall assert therein a claim, or
9 an interest in a claim, against the United States, and the
10 Court of Claims shall have jurisdiction to adjudicate, as
11 between any and all adverse claimants, their respective
12 several interests in any matter in suit and to award several
13 judgments in accordance therewith.

14 (c) The jurisdiction of the Court of Claims shall not
15 be affected by this Act except to the extent necessary to
16 give effect to this Act, and no party shall recover judg-
17 ment on any claim, or on any interest in any claim,
18 in said court which such party would not have had a right
19 to assert if this section had not been enacted.

20 PERSONAL FINANCIAL LIABILITY

21 SEC. 15. (a) Whenever any payment is made from
22 Government funds to any war contractor or other person
23 as an advance, partial or final payment on any termination
24 claim, or pursuant to any loan, guaranty, or agreement for
25 the purchase of any loan, or any commitment in connection

1 therewith, entered into by the Government, no officer or
2 other Government agent authorizing or approving such pay-
3 ment or settlement, or certifying the voucher for such pay-
4 ment, or making the payment in accordance with a duly
5 certified voucher, shall be personally liable for such pay-
6 ment, in the absence of fraud on his part. In settling the
7 accounts of any disbursing officer the General Accounting
8 Office shall allow any such disbursements made by him not-
9 withstanding any other provisions of law.

10 (b) For the purpose of making termination settlements
11 or interim financing any Government agency is authorized
12 to rely upon such certificates of war contractors as it deems
13 proper and to permit war contractors and other persons to
14 rely upon such certificates without financial liability in the
15 absence of fraud on their part.

16 THE GENERAL ACCOUNTING OFFICE

17 SEC. 16. (a) Any other provision of law notwithstand-
18 ing, the function of the General Accounting Office with
19 respect to any termination settlement made, authorized, rati-
20 fied, or approved by a contracting agency shall be confined
21 to determining, after final settlement, (1) whether the settle-
22 ment payments to the war contractor were made in accord-
23 ance with the settlement, and (2) whether the records trans-
24 mitted to it, or other information, warrant a reasonable belief
25 that the settlement was induced by fraud. For this purpose

1 the General Accounting Office shall have the authority to
2 examine any records maintained by any contracting agency or
3 by any war contractor relating to any termination settlement.

4 (b) Whenever the General Accounting Office believes
5 that any settlement was induced by fraud, the Comptroller
6 General of the United States shall report all of the facts
7 relating thereto to the Director, to the Department of
8 Justice, and to the contracting agency concerned. Upon
9 receipt of such report (1) the Department of Justice shall
10 make an investigation to determine whether such settlement
11 was induced by fraud, and (2) until the Department of
12 Justice notifies the contracting agency that in its opinion
13 the facts do not support the belief that the settlement was
14 induced by fraud, the contracting agency, by set-off or
15 otherwise, shall withhold, from amounts owing to the war
16 contractor by the United States under such settlement or
17 otherwise, the amount of the settlement, or the portion
18 thereof, which, in the opinion of the General Accounting
19 Office as stated in its report, was affected by the fraud. In
20 any such case the Department of Justice shall take such
21 action as it deems appropriate to recover payments made
22 to such war contractor. The General Accounting Office
23 shall not suspend credit to any disbursing officer on any
24 disbursements made by him under such settlement in the
25 absence of fraud on his part.

1 (c) The Comptroller General may investigate the settle-
2 ments completed by each contracting agency for the purpose
3 of reporting to the Congress from time to time on—

4 (1) whether the settlement methods and procedures
5 employed by such agency are of a kind and type de-
6 signed to result in expeditious and fair settlements in
7 accordance with and subject to the provisions of this Act
8 and the orders and regulations of the Director;

9 (2) whether such methods and procedures are fol-
10 lowed by such agency with care and efficiency; and

11 (3) whether such methods and procedures ade-
12 quately protect the interest of the Government.

13 If in any such report the Comptroller General shall find
14 that the settlement methods and procedures fail to meet the
15 foregoing standards, he shall make suggestions and recom-
16 mendations to such agency for the improvement of such
17 methods and procedures and to the Congress for any addi-
18 tional legislation needed to carry out the policies of this Act.
19 At least thirty days before filing any such report with the
20 Congress, the Comptroller General shall deliver a copy
21 thereof to the agency concerned and the Director, and shall
22 forward to the Congress together with such report any com-
23 ments of such agency with respect thereto.

24 (d) The jurisdiction of the Comptroller General of the

1 *United States shall not be affected by this Act except to the*
2 *extent necessary to give effect to the specific provisions thereof.*

3 *DEFECTIVE, INFORMAL, AND QUASI CONTRACTS*

4 *SEC. 17. (a) Where any person has arranged to fur-*
5 *nish or furnished to a contracting agency or to a war con-*
6 *tractor any materials, services, or facilities related to the*
7 *prosecution of the war, without a valid contract, relying in*
8 *good faith upon the apparent authority of an officer or*
9 *agent of a contracting agency, written or oral instructions,*
10 *or any other request to proceed from a contracting agency,*
11 *the contracting agency shall pay such person fair compen-*
12 *sation therefor.*

13 *(b) Whenever any formal or technical defect or omission*
14 *in any prime contract, or in any grant of authority to an*
15 *officer or agent of a contracting agency who ordered any ma-*
16 *terials, services, and facilities might invalidate the contract*
17 *or commitment, the contracting agency (1) shall not take*
18 *advantage of such defect or omission; (2) shall amend, con-*
19 *firm, or ratify such contract or commitment without consider-*
20 *ation in order to cure such defect or omission; and (3) shall*
21 *make a fair settlement of any obligation thereby created or*
22 *incurred by such agency, whether expressed or implied, in*
23 *fact or in law, or in the nature of an implied or quasi*
24 *contract.*

1 (c) Where a contracting agency fails to settle by agree-
2 ment any claim asserted under this section, the dispute shall
3 be subject to the provisions of section 13 of this Act.

4 (d) The Director shall require each contracting agency
5 to formalize all such obligations and commitments within
6 such period as the Director deems appropriate.

7 RECORDS, FORMS, AND REPORTS

8 SEC. 18. (a) The Director shall establish policies for
9 such supervision and review within the contracting agencies
10 of termination settlements and interim financing as he deems
11 necessary and appropriate to prevent and detect fraud and
12 to assure uniformity in administration and to provide for
13 expeditious settlements. For this purpose he shall prescribe
14 (1) such records to be prepared by the contracting agencies
15 and by war contractors as he deems necessary in connection
16 with such settlements and interim financing; and (2) the
17 records in connection therewith to be transmitted to the Gen-
18 eral Accounting Office. He shall seek to reduce the amount
19 of record keeping, reporting, and accounting in connection
20 with the settlement of termination claims and interim financ-
21 ing to the minimum compatible with the reasonable protec-
22 tion of the public interest. Each contracting agency shall
23 prescribe forms for use by war contractors in connection with
24 termination settlements and interim financing to the extent
25 it deems necessary and feasible.

1 (b) *The Director shall require the Government agencies*
2 *performing functions under this Act to prepare such infor-*
3 *mation and reports regarding terminations of war contracts,*
4 *settlements of termination claims, and interim financing, as*
5 *he deems necessary to assist him in appraising their opera-*
6 *tions or to assist him or other Government agencies in per-*
7 *forming their functions under this Act, and may pre-*
8 *scribe the terms and conditions upon which such information*
9 *and reports shall be made available to other Government*
10 *agencies. The Director may require any Government agency*
11 *to furnish such information under its control as he deems*
12 *necessary for the performance of his functions under this Act,*
13 *but any such agency, in its discretion, may furnish any such*
14 *information deemed by it to affect the national security only*
15 *to the Director himself.*

16 (c) *The Director, by regulation, shall provide for*
17 *making available to any interested Government agency such*
18 *advance notice and other information on cut-backs in war*
19 *production resulting from terminations or failures to*
20 *renew or extend war contracts, as he deems necessary and*
21 *appropriate.*

22 (d) *The Director shall make such investigations as he*
23 *deems necessary or desirable in connection with termination*
24 *settlements and interim financing. For this purpose he may*
25 *utilize the facilities of any existing agencies and if he deter-*

1 mines that the facilities of existing agencies are inadequate,
 2 he may establish a unit in the Office of Contract Settlement
 3 to supplement and facilitate the work of existing agencies.
 4 He shall report to the Department of Justice any informa-
 5 tion received by him indicating any fraudulent practices, for
 6 appropriate action.

7 (e) Whenever any contracting agency or the Director
 8 believes that any settlement was induced by fraud, the agency
 9 or Director shall report the facts to the Department of Jus-
 10 tice. Thereupon, (1) the Department of Justice shall make
 11 an investigation to determine whether such settlement was
 12 induced by fraud, and (2) until the Department of Justice
 13 notifies the contracting agency that in its opinion the facts do
 14 not support the belief that the settlement was induced by
 15 fraud, the contracting agency, by set-off or otherwise, shall
 16 withhold, from amounts owing to the war contractor by the
 17 United States under such settlement or otherwise, the amount
 18 of the settlement, or the portion thereof, which, in its opinion,
 19 was affected by the fraud. In any such case the Department
 20 of Justice shall take such action as it deems appropriate to
 21 recover payments made to such war contractor.

22 PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

23 SEC. 19. (a) It shall be unlawful for any person will-
 24 fully to secrete, mutilate, obliterate, or destroy, or cause to
 25 be secreted, mutilated, obliterated, or destroyed—

1 (i) any records of a war contractor relating to the
2 negotiation, award, performance, payment, interim
3 financing, cancelation or other termination, or settlement
4 of a war contract of \$25,000 or more; or

5 (ii) any records of a war contractor and any pur-
6 chaser relating to any disposition of termination inven-
7 tory in which the consideration received by any war
8 contractor or any Government agency is \$5,000 or more,
9 until (1) five years after such disposition of termination
10 inventory by such war contractor or Government agency, or
11 (2) five years after the final settlement of such war contract,
12 or (3) five years after the termination of hostilities in the
13 present war as proclaimed by the President or by a concur-
14 rent resolution of the two Houses of Congress, whichever
15 applicable period is longer.

16 As used in this subsection, the term "records" includes,
17 but is not limited to, books, ledgers, checks and check stubs, pay-
18 roll data, vouchers, memoranda, correspondence, inspection
19 reports and certificates. Any corporation violating any pro-
20 vision of this subsection shall be fined not more than \$50,000
21 and any natural person violating any provision of this sub-
22 section shall be fined not more than \$10,000, or imprisoned
23 for not more than five years, or both: Provided, however,
24 That the Director, by regulation, may authorize the destruc-
25 tion of such records upon such terms and conditions as he

1 *deems appropriate, which may include the making and re-*
2 *taining of photographs or microphotographs. Photographs*
3 *or microphotographs of any records made in compliance with*
4 *such regulations of the Director shall have the same force*
5 *and effect as the originals thereof would have and shall be*
6 *treated as originals for the purpose of admissibility in evi-*
7 *dence.*

8 (b) *The first section of the Act of August 24, 1942*
9 *(56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is*
10 *amended to read as follows:*

11 *"The running of any existing statute of limitations ap-*
12 *plicable to any offense against the laws of the United States*
13 *(1) involving defrauding or attempts to defraud the United*
14 *States or any agency thereof whether by conspiracy or not,*
15 *and in any manner, or (2) committed in connection with*
16 *the negotiation, procurement, award, performance, payment*
17 *for, interim financing, cancelation or other termination or*
18 *settlement, of any contract, subcontract, or purchase order*
19 *which is connected with or related to the prosecution of the*
20 *present war, or with any disposition of termination inventory*
21 *by any war contractor or Government agency, shall be sus-*
22 *pended until three years after the termination of hostilities*
23 *in the present war as proclaimed by the President or by a*
24 *concurrent resolution of the two Houses of Congress. This*
25 *section shall apply to acts, offenses, or transactions where the*

1 existing statute of limitations has not yet fully run, but it
2 shall not apply to acts, offenses, or transactions which are
3 already barred by provisions of existing law.”

4 (c) (1) Every person who makes or causes to be made,
5 or presents or causes to be presented to any officer, agent,
6 or employee of any Government agency any claim, bill,
7 receipt, voucher, statement, account, certificate, affidavit, or
8 deposition, knowing the same to be false, fraudulent, or
9 fictitious or knowing the same to contain or to be based
10 on any false, fraudulent, or fictitious statement or entry, or
11 who shall cover up or conceal any material fact, or who
12 shall use or engage in any other fraudulent trick, scheme, or
13 device, for the purpose of securing or obtaining, or aiding
14 to secure or obtain, for any person any benefit, payment,
15 compensation, allowance, loan, advance, or emolument from
16 the United States or any Government agency in connection
17 with the termination, cancelation, settlement, payment, nego-
18 tiation, renegotiation, performance, procurement, or award
19 of a contract with the United States or with any other person,
20 and every person who enters into an agreement, combina-
21 tion, or conspiracy so to do, (1) shall pay to the United
22 States an amount equal to 25 per centum of any amount
23 thereby sought to be wrongfully secured or obtained but
24 not actually received, and (2) shall forfeit and refund any
25 such benefit, payment, compensation, allowance, loan, ad-

1 rance, and emolument received as a result thereof and (3)
2 shall in addition pay to the United States the sum of \$2,000
3 for each such act, and double the amount of any damage
4 which the United States may have sustained by reason
5 thereof, together with the costs of suit.

6 (2) The several district courts of the United States,
7 the District of Columbia, the several district courts of the
8 Territories of the United States, within whose jurisdictional
9 limits the person, or persons, doing or committing such act,
10 or any one of them, resides or shall be found, shall, whereso-
11 ever such act may have been done or committed, have full
12 power and jurisdiction to hear, try, and determine such suit,
13 and such person or persons as are not inhabitants of or found
14 within the district in which suit is brought may be brought
15 in by order of the court to be served personally or by
16 publication or in such other reasonable manner as the court
17 may direct.

18 (d) the provisions of section 35-A of the Criminal
19 Code (18 U. S. C., sec. 80) shall apply to any statement,
20 representation, bill, receipt, voucher, roll, account, claim,
21 certificate, affidavit, or deposition made or used or caused
22 to be made or used for any purpose under this Act or under
23 any regulations pursuant to this Act.

24

GENERAL PROVISIONS

25

SEC. 20. (a) Each contracting agency shall have au-

1 *thority, notwithstanding any provisions of law other than*
2 *contained in this Act, (1) to make any contract necessary*
3 *and appropriate to carry out the provisions of this Act; (2)*
4 *to amend by agreement any existing contract, either before or*
5 *after notice of its termination, on such terms and to such*
6 *extent as it deems necessary and appropriate to carry out*
7 *the provisions of this Act; and (3) in settling any termina-*
8 *tion claim, to agree to assume, or indemnify the war con-*
9 *tractor against, any claims by any person in connection with*
10 *such termination claims or settlement. This subsection shall*
11 *not limit or affect in any way any authority of any contract-*
12 *ing agency under the First War Powers Act, 1941, or under*
13 *any other statute.*

14 *(b) Any contracting agency may prescribe the amount*
15 *and kind of evidence required to identify any person as a*
16 *war contractor, or any contract, agreement, or purchase*
17 *order as a war contract for any of the purposes of this Act.*
18 *Any determination so made that any person is a war con-*
19 *tractor, or that any contract, agreement, or purchase order*
20 *is a war contract, shall be final and conclusive for any of*
21 *the purposes of this Act.*

22 *(c) There are hereby authorized to be appropriated*
23 *such sums as may be necessary for administering the provi-*
24 *sions of this Act.*

25 *(d) All policies and procedures relating to termination*

1 of war contracts, termination settlements, and interim financ-
2 ing, prescribed by the Director of War Mobilization or any
3 contracting agency, in effect upon the effective date of this
4 Act, and not inconsistent with this Act, shall remain in full
5 force and effect unless and until superseded by the Director
6 in accordance with this Act, or by regulations of the con-
7 tracting agency not inconsistent with this Act or the policies
8 prescribed by the Director.

9 (e) Nothing in this Act shall be deemed to impair or
10 modify any war contract or any term or provision of any
11 war contract or any assignment of any claim under a war
12 contract, without the consent of the parties thereto, if the
13 war contract, or the term, provision, or assignment thereof,
14 is otherwise valid.

15 (f) Any contracting agency shall authorize or direct its
16 officers and employees to advise, aid, and assist war con-
17 tractors in preparing and presenting termination claims, in
18 obtaining interim financing, and in related matters, to such
19 extent as it deems desirable. If the officer or employee re-
20 ceives therefor no benefit or compensation of any kind, directly
21 or indirectly, from any war contractor, such advice, aid, or
22 assistance shall be treated as part of his official duties and
23 shall not constitute a violation of section 109 of the Criminal
24 Code (18 U. S. C. 198) or of any other law.

1 (g) *The Smaller War Plants Corporation is hereby*
2 *directed—*

3 (1) *to disseminate information among small business*
4 *concerns with respect to interim financing, termination*
5 *settlements, removal and storage of termination inven-*
6 *tories pursuant to the provisions of this Act and the*
7 *regulations of the Director; and*

8 (2) *to assist small business concerns in connection*
9 *with the securing of interim financing and the prepara-*
10 *tion of applications for such interim financing, the effect-*
11 *ing of termination settlements, and the removal and*
12 *storage of termination inventories, and to make interim*
13 *loans and guaranties, in order to assure that small busi-*
14 *ness concerns receive fair and equitable treatment from*
15 *prime contractors and intermediate subcontractors in*
16 *connection with the termination of war contracts.*

17 OTHER FUNCTIONS OF THE DIRECTOR

18 SEC. 21. *In addition to his other functions under this*
19 *Act, the Director shall—*

20 (a) *promote the training of personnel for termina-*
21 *tion settlement and interim financing by contracting*
22 *agencies, war contractors, and financing institutions;*

23 (b) *collaborate with the Smaller War Plants Cor-*
24 *poration in protecting the interests of smaller war con-*

1 *tractors in obtaining fair and expeditious termination*
2 *settlements and interim financing.*

3 *(c) promote decentralization of the administration*
4 *of termination settlements and interim financing by*
5 *fostering delegation of authority within contracting*
6 *agencies and to war contractors, to the extent he deems*
7 *necessary and feasible;*

8 *(d) consult with war contractors through advisory*
9 *committees or such other methods as he deems appro-*
10 *priate.*

11 *USE OF APPROPRIATED FUNDS*

12 *SEC. 22. Any contracting agency is authorized—*

13 *(a) to use for interim financing, the payment of*
14 *claims, and for any other purposes authorized in this*
15 *Act any funds which have heretofore been appropriated*
16 *or allocated or which may hereafter be appropriated or*
17 *allocated to it, or which are or may become available*
18 *to it, for such purposes or for the purposes of war*
19 *production or war procurement;*

20 *(b) to use any such funds appropriated, allocated,*
21 *or available to it for expenditures for or in behalf of any*
22 *other contracting agency for the purposes authorized in*
23 *this Act;*

24 *(c) to determine by agreement, joint estimate, or*
25 *any other method authorized by the Director, the part*

1 *of any expenditure made pursuant to subsection (b)*
2 *hereof to be paid by each contracting agency concerned*
3 *and to make transfers of funds between such contracting*
4 *agencies accordingly. Transfers of funds between ap-*
5 *propriations carried upon the books of the Treasury shall*
6 *be made by the Secretary of the Treasury in accordance*
7 *with joint requests of the contracting agencies involved.*

8 DELEGATION OF AUTHORITY

9 *SEC. 23. (a) The Director may delegate any authority*
10 *and discretion conferred upon him by this Act to any*
11 *Deputy Director, and may delegate such authority and*
12 *discretion, upon such terms and conditions as he may pre-*
13 *scribe, to the head of any Government agency to the extent*
14 *necessary to the handling and solution of problems peculiar*
15 *to that agency.*

16 *(b) The head of any Government agency may delegate*
17 *any authority and discretion conferred upon him or his*
18 *agency by or pursuant to this Act to any officer, agent, or*
19 *employee of such agency or to any other Government*
20 *agency, and may authorize successive redelegations of such*
21 *authority and discretion.*

22 *(c) Any two or more Government agencies may exer-*
23 *cise jointly any authority and discretion conferred upon each*
24 *of them individually by or pursuant to this Act.*

25 *(d) Nothing in this Act shall prevent the Director from*

1 *exercising any authority conferred upon him by any other*
2 *statute.*

3 *APPLICABILITY*

4 *SEC. 24. (a) This Act shall become effective twenty*
5 *days after the date of its enactment. With the exception*
6 *of the provisions of paragraphs (b), (c), (d), and (e),*
7 *of section 12, and of sections 6, 7, 8, 9, 10, and 13 this*
8 *Act shall be applicable in the case of any terminated war*
9 *contract which has been finally settled at or before the*
10 *effective date of this Act.*

11 *(b) Nothing in this Act shall limit or affect any author-*
12 *ity conferred by the Act of March 11, 1941 (55 Stat. 31),*
13 *as amended, or Acts supplemental thereto.*

14 *SEC. 25. Subject to policies prescribed by the Director,*
15 *any contracting agency may exempt from some or all of the*
16 *provisions of this Act (a) any war contract made or to be*
17 *performed outside the continental limits of the United States*
18 *or in Alaska, or (b) any termination inventory situated*
19 *outside of the continental limits of the United States or in*
20 *Alaska, or (c) any modification of a war contract pursuant*
21 *to its terms for the purpose of changing plans or specifica-*
22 *tions applicable to the work without substantially reducing*
23 *its extent.*

SEPARABILITY OF PROVISIONS

1
2 *SEC. 26. If any provision of this Act, or the application*
3 *of such provision to any person or circumstance, is held in-*
4 *valid, the remainder of this Act or the application of such*
5 *provision to persons or circumstances other than those as to*
6 *which it is held invalid, shall not be affected thereby.*

SHORT TITLE

7
8 *SEC. 27. This Act may be cited as the "Contract Settle-*
9 *ment Act of 1944".*

Passed the Senate May 4 (legislative day, April 12),
1944.

Attest:

EDWIN A. HALSEY,

Secretary.

AN ACT

To provide for the settlement of claims arising from terminated war contracts, and for other purposes.

MAY 5, 1944

Referred to the Committee on the Judiciary

JUNE 1, 1944

Reported with an amendment, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed



DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 12, 1944, for actions of Saturday, June 10, 1944)

(For staff of the Department only)

CONTENTS

Appropriations.....	3	Monopolies.....	2	Rationing.....	7, 14
Coconut oil.....	4	Petroleum.....	1	Selective service.....	15
Cooperatives.....	9	Post-war planning.....	8, 10	Subsidies.....	1
Food distribution.....	18	Price control.....	1, 3, 7, 13	Taxation.....	4
Food production.....	1, 11	Priorities.....	17	Transportation.....	12
Forestry.....	8	Property.....	1	Veterans.....	6
Legislative program.....	3	Purchasing.....	3, 5, 16	War contracts.....	3, 5

HOUSE

PRICE-CONTROL EXTENSION. Continued debate on H.R. 4941, to extend the Price Control and Stabilization Acts (pp. 5769-820).

Agreed to the following amendments: By Rep. Hartley, N. J., 157-31, to "eliminate the high-price-line regulation" which has forced "low-price goods... off the market" (pp. 5771-81); By Rep. Disney, Okla., 123-57, relating to price ceilings on petroleum and requiring them to be not less than 80% of parity and not more than parity (pp. 5781-9); by Rep. Springer, Ind., 71-42, prohibiting price ceilings on any article of property sold by any administrator, etc., of any court, under the order of such court (pp. 5789-90); by Rep. Rivers, S. C., requiring OPA to "give to growers of... agricultural commodities... 15 days notice, by newspaper... prior to the normal planting season" before the establishment or lowering of any maximum price ceiling (pp. 5801-2); and by Rep. Kleberg, Tex., 83-38, providing that it shall be unlawful to pay any subsidy to the producer of any product manufactured from any agricultural commodity unless such producers shall, before receiving such subsidy payment, submit evidence that he has paid to the producer of such agricultural commodity, prices that are not below the price standards established by Public Law 729, 77th Cong., and prohibiting the payment of any subsidy either directly or indirectly which is not authorized by law (pp. 5802-5).

Rejected the following amendments: By Rep. Larcade, La., to prohibit price ceilings on rough rice (pp. 5790-2); by Rep. Jennings, Tex., 43-76, "relating to the powers of the [Price] Administrator, especially with respect to the imposition of penalties" (pp. 5792-800); and by Rep. Andresen, Minn., 43-54, providing that all retail distributors shall have the full benefit of the lowest wholesale price established by OPA on any commodity or article to be sold at retail (pp. 5800-1).

Rep. Weichel, Ohio, criticized OPA's price regulations on turkeys and inserted them in the Record (pp. 5805-20).

2. MONOPOLIES. Rep. Voorhis, Calif., criticized monopolies and cartels (pp. 5820-1).
3. LEGISLATIVE PROGRAM. Majority Leader McCormack announced that he hoped the price-control bill will be disposed of Mon., June 12; the War Department appropriation bill will be in order for Tues.; the war contract termination bill will follow the War Department appropriation bill on Wed.; and the deficiency bill will be reported on Sat.; and he stated, "After we get through with the War Department appropriation bill...we may be able to dispose of some of the conference reports" (pp. 5821-2).
4. COCONUT OIL TAXES. Ways and Means Committee reported without amendment H.R. 4837, to extend for an additional 2 years the suspension in part of the processing tax on coconut oil (H. Rept. 1621) (p. 5822).
5. WAR CONTRACTS. Rules Committee reported without amendment a resolution providing for the consideration of S. 1718, settlement of terminated war-contract claims (pp. 5769, 5823).

SENATE

NOT IN SESSION. Next meeting Mon., June 12, 1944.

BILL INTRODUCED

6. VETERANS. By Rep. Lesinski, Mich., H.R. 4999, to increase the service-connected disability rates of pension for certain Regular Establishment veterans. To Invalid Pensions Committee. (p. 5823.)

ITEMS IN APPENDIX

7. PRICE CONTROL. Speech in the House by Rep. Smith, Va., criticizing OPA ceiling prices on slaughtered livestock (p. A3164).
Rep. Rowan, Ill., inserted a petition urging the continuation of the Emergency Price Control Act (p. A3165).
Extension of remarks of Rep. Wolverton, N. J., favoring the extension of the Emergency Price Control Act without any weakening amendments (p. A3166).
Rep. Hagen, Minn., inserted J. A. Raikie's (rationing board chairman, Minn.) letter to Chester Bowles urging that more information be given to farmers indicating their relationship as consumers in the price-control and rationing programs (pp. A3175-6).
Speech in the House by Rep. Barden, N. C., on fish prices as related to the Emergency Price Control Act (p. A3170).
8. FORESTRY. Rep. Halleck, Ind., inserted his address before the National-American Wholesale Lumber Assn. concerning problems facing the lumber industry in the post-war period (pp. A3176-8).
9. COOPERATIVES. Extension of remarks of Rep. Bradley, Mich., including a constituents' petition criticizing Government-subsidized cooperatives (p. A3168).
10. POST-WAR PLANNING. Rep. Lesinski, Mich., inserted Col. W. F. Rockwell's proposed Post-war unemployment compensation plan (pp. A3173-4).
11. FOOD PRODUCTION. Rep. White, Idaho, inserted an Idaho Advertising Commission's report to Idaho potato growers commending potato production in the state (pp. A3178-9).

Burdick	Heidinger	Morrison, N. C.
Capozzoli	Herter	Murphy
Chapman	Hollifield	Norton
Clark	Horan	O'Connor
Clason	Izac	Patman
Cox	Johnson, Okla.	Peterson, Ga.
Dawson	Johnson, Ward	Pfeiffer
Dies	Kee	Philbin
Dirksen	Kennedy	Plumley
Ellis	Keogh	Pracht,
Fay	King	C. Frederick
Flah	Klein	Sabath
Forand	Lane	Scott
Ford	LeFevre	Short
Fulbright	Lemke	Smith, W. Va.
Fuller	Lewis	Starnes, Ala.
Gale	Luce	Stearns, N. H.
Gallagher	McCord	Stewart
Granger	McGehee	Taylor
Green	McMurray	Torrens
Gross	Magnuson	Treadway
Hall,	Merritt	Ward
Leonard W.	Morrow	White
Harless, Ariz.	Miller, Nebr.	Whitten
Hébert	Morrison, La.	

Three hundred and forty-seven Members have answered to their names, a quorum.

By unanimous consent, further proceedings, under the call, were dispensed with.

Mr. RANKIN and Mr. COLMER rose.

The SPEAKER. The Chair recognizes the gentleman from Mississippi [Mr. COLMER].

SETTLEMENT OF WAR CONTRACT CLAIMS

Mr. COLMER, from the Committee on Rules, submitted the following report on the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes (Rept. No. 1620), which was transferred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. It shall be in order to consider without the intervention of any point of order the substitute amendment recommended by the Committee on the Judiciary now in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill. At the conclusion of such consideration, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. RANKIN. Mr. Speaker—

The SPEAKER. The Chair announced before the call of the House that after the roll call he was going to recognize the gentleman from Kentucky [Mr. SPENCE], that he could not recognize Members further to make 1-minute speeches.

Mr. RANKIN. I merely want to make an announcement I believe is of interest to the House. I shall ask the gentleman

from Kentucky to yield when we go into the Committee.

EXTENSION OF EMERGENCY PRICE CONTROL ACT OF 1942

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 4941) to extend the period of operation of the Emergency Price Control Act of 1942, and the Stabilization Act of October 2, 1942, from June 30, 1944, to June 30, 1945, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 4941, extension of the Emergency Price Control Act of 1942, with Mr. COOPER in the chair.

The Clerk read the title of the bill.

Mr. SPENCE. Mr. Chairman, I move to strike out the last word.

Mr. RANKIN. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. RANKIN. I merely want to make this statement for the information of the membership: The conferees have agreed on the veterans' bill known as the G. I. bill. It is our intention to take up the conference report on next Tuesday. If we do not get through with it on Tuesday, we expect to let it go over until Thursday because of the fact that Wednesday is Flag Day.

Mr. MARTIN of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. MARTIN of Massachusetts. Can the gentleman tell the House whether it is a unanimous report?

Mr. RANKIN. I may say to the gentleman from Massachusetts that the report is unanimous.

Mr. ROLPH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ROLPH: Page 11, line 2, strike out the period, insert a comma, and the following: "but may not restrict the right of recovery of possession of housing accommodations where the conduct of the occupant is contrary to law, or grossly obnoxious to other occupants, or damaging to or destructive of the premises."

Mr. ROLPH. Mr. Chairman, this is the "control of property" amendment, differing somewhat from the "control of property" amendment offered in committee. I desire to read section (g) as it will read with my amendment:

Regulations, orders, and requirements under this act may contain such provisions as the Administrator deems necessary to prevent the circumvention or evasion thereof, but may not restrict the right of recovery or possession of housing accommodations where the conduct of the occupant is contrary to law, or grossly obnoxious to other occupants, or damaging to or destructive of the premises.

When an owner enters into a contract with a tenant he does so in good faith, assuming the tenant will take proper care of the property. In 99.5 percent of the cases the tenants do take reasonable care. The tenant considers the property as his home. He is happy in it and proud

to be living in comfortable accommodations, but, in rare instances, tenants become obnoxious and abuse property. Up to the present time, under O. P. A. regulations, owners have been unable to get proper relief in the courts. This amendment is designed to give owners the opportunity of presenting their cases, being heard, and getting rid of grossly obnoxious tenants.

I shall read a statement in connection with an actual case in Washington. While it is true that Washington operates under different rent-control regulations than the general O. P. A. set-up throughout the United States, the same case might happen in any city in the country. This statement is dated June 5, 1944, and I shall not, of course, read the names of the people, but if any Members want to verify the circumstances, they are at perfect liberty to have further details privately. The statement reads as follows:

JUNE 5, 1944.

My husband and I live at Washington, D. C. This building is a four-family flat. We have been disturbed on numerous occasions (two or three times a week) by music, loud and obscene talk, and miscellaneous noise emanating from the apartment occupied by a Mrs. _____ and her daughter _____, who live on the first floor of the building. This disturbance occurs in the early morning hours, between 2 and 4 o'clock a. m.

We complained to the owners of the building, who say they wrote a letter to Mrs. _____. The noise continued, so on one occasion (May 27, about 3:30 a. m.) we called the police, who requested that Mrs. _____ turn off her radio and quiet down. After the police left, Mrs. _____ called up the air shaft in a voice loud enough to be heard outside the building, daring me to come down, threatening to kill me if and when I did come down, and calling me numerous obscene names. I notified the owners again, but upon being told that it was very difficult for them, under present O. P. A. regulations, to evict a tenant, I felt it necessary to take it to the district attorney. When the case came before the district attorney, he bound Mrs. _____ over to the peace for a period of 2 months. However, this action on my part was very inconveniencing, causing my husband, my neighbor across the hall, one of the policemen who answered our call, and myself to lose time from work.

Mr. Chairman, that statement is typical of correspondence reaching the desks of many Members. My amendment will correct this situation. Owners will be in position to get rid of obnoxious tenants.

Mr. VOORHIS of California. Will the gentleman yield?

Mr. ROLPH. I yield to the gentleman from California.

Mr. VOORHIS of California. Suppose the gentleman's amendment is adopted. Under those circumstances it would be necessary, as it is now and as it always has been, for any landlord to make proper showing before his local court prior to the time any action might be taken?

Mr. ROLPH. That is right.

Mr. VOORHIS of California. In other words, the effect of the gentleman's amendment would only be to say that such cases could be handled through the local court in the way they have been handled in the past; is that not correct?

Mr. ROLPH. Yes; but the way it has been working out, I am informed, is that the O. P. A. has been making it almost impossible for aggrieved parties to get proper action.

The CHAIRMAN. The time of the gentleman has expired.

Mr. OUTLAND. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from California.

Mr. Chairman, just as yesterday when I felt reluctant to rise in opposition to an amendment on rent control introduced by the gentleman from California [Mr. Izac] so do I feel reluctant today to rise in opposition to this amendment, introduced by another Member of this House from my own State; however, I do so in this case because the amendment in question, it seems to me, is entirely unnecessary.

I should like to cite for the benefit of the Members of the House the grounds upon which an eviction without authority from the area rent director are now available:

(1) Nonpayment of rent; (2) the tenant's refusal to sign a renewal lease on the same terms; (3) unreasonable refusal by the tenant to show the premises to a prospective purchaser or mortgagee; (4) the violation by the tenant of a substantial obligation of his agreement and a failure to cure such violation after notice; (5) and this is especially important in view of what the amendment proposes to know: The commission or permission of a nuisance; (6) using the premises for an immoral or illegal purpose; (7) where the tenant has subleased the dwelling and does not live in it at the expiration of the lease; (8) desire of the landlord to demolish the premises or to alter or remodel it in a manner which cannot be practicably done with the tenant in occupancy and (9) self-occupancy by an owner, except where property is duly acquired and the regulations in section 6 (b) (2) previously discussed are operative.

Mr. Chairman, it seems to me that the proposed amendment which states that where the conduct of the occupant is contrary to law is taken care of under the present eviction provision as follows:

(6) Using the premises for an immoral or illegal purpose.

The second portion of the amendment having to do with damage to or destruction of the premises is taken care of by the following paragraph:

The commission or permission of a nuisance. A tenant who is obnoxious may be evicted either on the ground that he is committing a nuisance or is violating a substantial obligation of tenancy.

The case to which the gentleman called attention is doubtless correct in every respect. I have had complaints too where tenants have badly damaged property and where they should have been put out. The rent-control law is supposed to be equitable both to the tenant and owner. In those cases where the individual has failed to take his case to the local court in sufficient time, it seems to me that the Price Administrator can hardly be blamed.

Mr. ROLPH. Will the gentleman yield?

Mr. OUTLAND. I yield to the gentleman from California.

Mr. ROLPH. I compliment the gentleman on his statement, but I would

like to ask him the question: If this law is so perfect why have we so many complaints?

Mr. OUTLAND. That, of course, is a question I cannot answer completely. I would say that in many cases the landlords or owners are probably not sure of the grounds upon which eviction can be made. The ones I have cited, for example, should be publicized. The owners of property should know the grounds upon which they can get rid of tenants. When a man destroys property or when a man is making himself a nuisance the grounds are right there and the Rent Control Administrator does not even step into the picture.

Mr. ROLPH. I agree with the gentleman. What we are trying to do is to get fair treatment for the owner and tenant alike.

Mr. OUTLAND. That is right.

Mr. ROLPH. My amendment will help the situation and eliminate a lot of these cases and protect owners against obnoxious tenants.

Mr. OUTLAND. Will the gentleman tell me where his amendment would add anything that is not covered under the present grounds for eviction?

Mr. ROLPH. Yes. The courts decide that. This is an amendment which would clarify the situation and eliminate the practice of attorneys for the O. P. A. constantly appearing and taking the position of these tenants who are obnoxious, thus giving no relief to an aggrieved owner.

Mr. OUTLAND. On these grounds I have mentioned, that is, if a tenant has violated a substantial obligation of his agreement, if the tenant is using the premises in the commission or permission of a nuisance or using the premises for an immoral or an illegal purpose, eviction can be had right now.

Mr. ROLPH. This will just clarify it and smooth out the legality of the whole situation.

Mr. OUTLAND. If I felt the amendment would do that I certainly would not raise a single objection. However, if appears to me that it will do far more harm than good. I ask that the amendment be voted down. When we go back into the House I shall ask unanimous consent to include as part of my remarks an O. P. A. legal interpretation regarding the subject I have been discussing.

OFFICE OF PRICE ADMINISTRATION,
Washington, D. C.

MEMORANDUM

To: All regional rent executives, regional and rent attorneys, area rent directors, and area rent attorneys.

From: George E. Palmer, associate general counsel for rent.

Subject: Interpretation 6 (a) (3)-i: Eviction of tenant whose conduct is objectionable to other occupants of the same building.

Questions have arisen concerning the eviction of a tenant who over a period of time has conducted himself in a manner which is objectionable to other persons living in the same building. Where under all the circumstances the tenant's conduct is wholly unreasonable, and interferes substantially with the comfortable enjoyment by other persons of normal sensibilities of premises which they occupy in the same building, it is not the purpose of Section 6 of the rent

regulations to protect the possession by the tenant.

Under section 6 (a) (3) (ii) of the rent regulations, the tenant may be evicted, after proper notices have been given pursuant to section 6 (d) of the Housing Regulation or section 6 (c) of the Hotel Regulation, if he is committing or permitting a nuisance. Whether conduct such as that just described constitutes a nuisance is for the local court to decide should the landlord file an eviction action based upon section 6 (a) (3) (ii) of the rent regulation. Section 6 (a) (3) (ii) contemplates that a tenant may be evicted if he is committing or permitting a legal nuisance and the decision of this issue depends upon the law of the jurisdiction concerned.

Under section 6 (a) (3) (i) the tenant also may be evicted if he has violated a substantial obligation of his tenancy; however, in such case, in addition to the notices required by section 6 (d) of the Housing Regulation or section 6 (c) of the Hotel Regulation, eviction is authorized only where the tenant continues or fails to cure the violation after the landlord has given him written notice to cease such violation. Whether there is a particular obligation of the tenancy, express or implied, will depend primarily upon the terms of the rental agreement and local law.

Where a tenant has conducted himself in the manner described above, some courts have given judgment for the landlord in an eviction action based upon section 6 (a) (3) of the regulation. In some instances this has been done on the ground that the tenant was committing a nuisance; in others on the ground that the tenant was violating a substantial obligation of his tenancy. These decisions are consistent with the purposes of the rent regulations.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. WOLCOTT. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, it has never been conceded that O. P. A. has any jurisdiction whatsoever over ouster proceedings except where there is an affiliation between the ouster and the violation of a maximum rent. What we had in mind in this connection were what are referred to as fake sales, where a proposed tenant and a landlord would conspire to increase the rent by going through the motions of making a fake down payment and entering into a fake contract of sale or second trust, thereby evading the maximum rentals.

In subsection (d) of section 2 of the Emergency Price Control Act we provided as follows:

(d) Whenever in the judgment of the Administrator such action is necessary or proper in order to effectuate the purposes of this act, he may, by regulation or order, regulate or prohibit speculative or manipulative practices (including practices relating to changes in form or quality) or hoarding, in connection with any commodity, and speculative or manipulative practices or renting or leasing practices (including practices relating to recovery of the possession) in connection with any defense-area housing accommodations, which in his judgment are equivalent to or are likely to result in price or rent increases, as the case may be, inconsistent with the purposes of this act.

The regulating of the practice with respect to the recovery of possession is authorized only when, in the judgment of the Administrator, such action is necessary or proper to effectuate the purposes of the act, which, of course, is to stabilize the rents. His authority stops there.

If the gentleman's amendment is adopted, we say "but may not restrict

Mr. BULWINKLE: Committee on Interstate and Foreign Commerce. S. 1432. A bill to extend the Civilian Pilot Training Act of 1939; with amendment (Rept. No. 1622). Referred to the Committee of the Whole House on the state of the Union.

Mr. JARMAN: Committee on Printing. House Concurrent Resolution 90. Concurrent resolution authorizing the printing of the manuscript containing an analysis of questions and answers on the individual income-tax act of 1944 as a House document, and providing for the printing of additional copies thereof for the use of the House document room; without amendment (Rept. No. 1619). Referred to the House Calendar.

Mr. COLMER: Committee on Rules. House Resolution 589. Resolution providing for the consideration of S. 1718 to provide for the settlement of claims arising from terminated war contracts, and for other purposes; without amendment (Rept. No. 1620). Referred to the House Calendar.

Mr. JARMAN: Committee on Printing. House Resolution 579. Resolution authorizing the printing of additional copies of the hearings held before the Committee on Roads of the House of Representatives, current session, on the bill (H. R. 2426) to supplement the Federal-Aid Road Act, approved July 11, 1916, as amended and supplemented, and for other purposes; without amendment (Rept. No. 1618). Referred to the House Calendar.

No. 107—8

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H. R. 4714) granting a pension to Elizabeth Walter, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. LESINSKI:

H. R. 4999. A bill to increase the service-connected disability rates of pension for certain Regular Establishment veterans and veterans of wars prior to World War No. 1; to the Committee on Invalid Pensions.

By Mr. SPRINGER:

H. R. 5000. A bill to clarify the provisions of law relating to the display of service flags and the wearing of service lapel buttons, and for other purposes; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

5831. By Mr. ANDREWS of New York: Resolution adopted by the city council of Nlag-

ara Falls favoring the enactment of House bill 4853, a bill providing for authorization of funds for a proposed post-war highway program; to the Committee on Roads.

5832. Also, resolution of the Delevan-Grider Businessmen's Association of Buffalo, N. Y., opposing the development of the St. Lawrence River as either a scaway or power project; to the Committee on Rivers and Harbors.

5833. By Mr. KENNEDY: Petition of president of the Union Dime Savings Bank of New York, concerning the Emergency Price Control Act of 1942; to the Committee on Banking and Currency.

5834. By Mr. SCANLON: Petition of residents of the Sixteenth Congressional District of Pennsylvania with 1,120 signatures, protesting against the passage of the Bryson bill, H. R. 2082, prohibiting the manufacture, sale, or distribution of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

5835. By Mr. SCOTT: resolution adopted by the Roxborough-Manayunk Lions Club of Philadelphia and the Pennsylvania State Association of Lions Clubs with regard to public representation at any peace conference; to the Committee on Foreign Affairs.

5836. By the SPEAKER: Petition of various real-estate owners, banks, and agents of New York City, petitioning consideration of their resolution with reference to the inequities in the rent-control section of the present Emergency Price Control Act; to the Committee on Banking and Currency.

CONSIDERATION OF S. 1718

JUNE 10, 1944.—Referred to the House Calendar and ordered to be printed

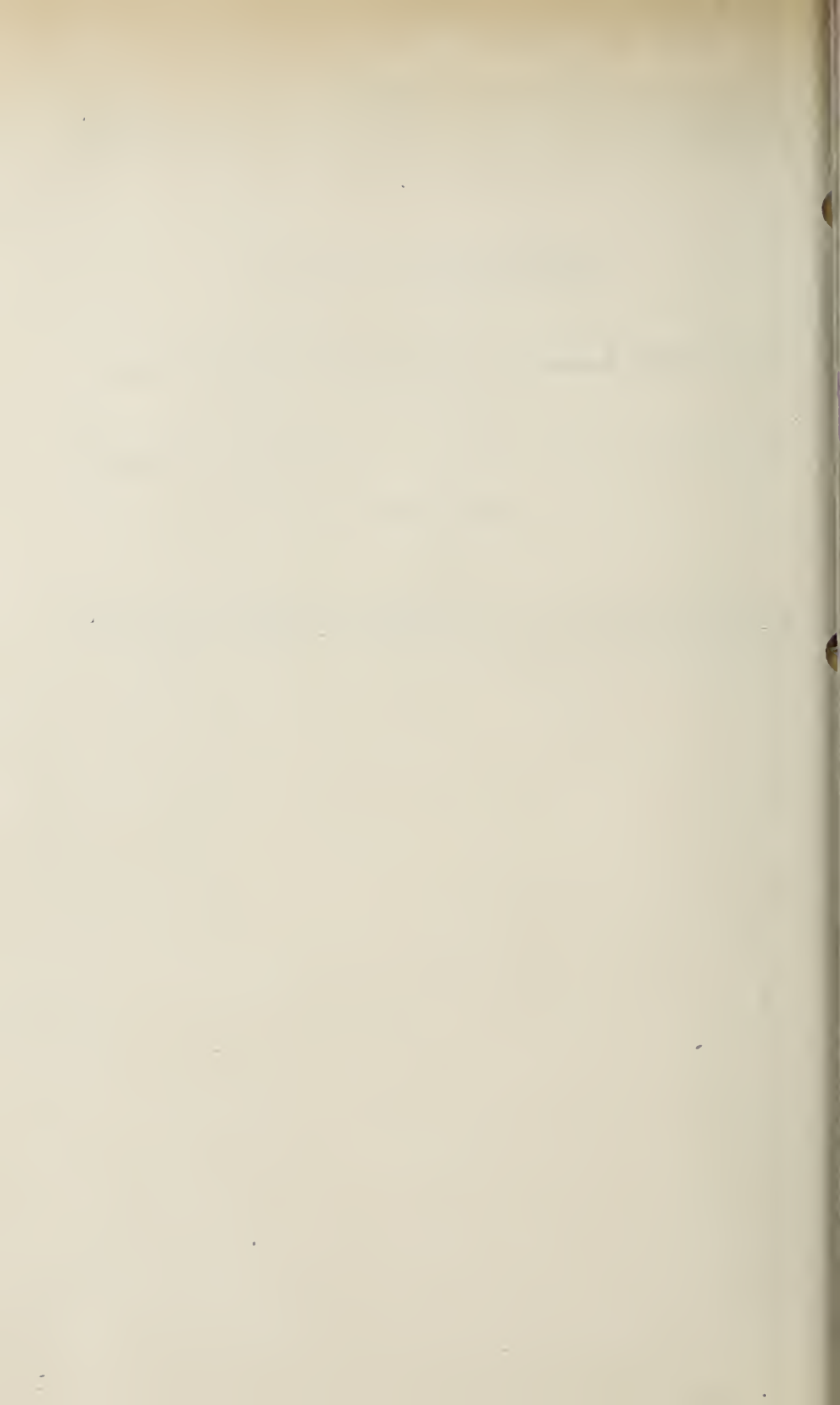
Mr. COLMER, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 589]

The Committee on Rules, having had under consideration House Resolution 589, reports the same to the House with the recommendation that the resolution do pass.





House Calendar No. 281

78TH CONGRESS
2D SESSION

H. RES. 589

[Report No. 1620]

IN THE HOUSE OF REPRESENTATIVES

JUNE 10, 1944

Mr. COLMER, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the state of the Union
4 for the consideration of the bill (S. 1718) to provide for the
5 settlement of claims arising from terminated war contracts,
6 and for other purposes, and all points of order against said
7 bill are hereby waived. That after general debate, which
8 shall be confined to the bill and continue not to exceed four
9 hours, to be equally divided and controlled by the chairman
10 and ranking minority member of the Committee on the
11 Judiciary, the bill shall be read for amendment under the
12 five-minute rule. It shall be in order to consider without

1 the intervention of any point of order the substitute amend-
2 ment recommended by the Committee on the Judiciary now
3 in the bill, and such substitute for the purpose of amendment
4 shall be considered under the five-minute rule as an original
5 bill. At the conclusion of such consideration, the Committee
6 shall rise and report the bill to the House with such amend-
7 ments as may have been adopted, and any Member may de-
8 mand a separate vote in the House on any of the amend-
9 ments adopted in the Committee of the Whole to the bill
10 or committee substitute. The previous question shall be con-
11 sidered as ordered on the bill and amendments thereto to
12 final passage without intervening motion except one motion
13 to recommit.

78TH CONGRESS
2^D SESSION

H. RES. 589

[Report No. 1620]

RESOLUTION

Providing for the consideration of S. 1718, a bill to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

By Mr. COLMER

JUNE 10, 1944

Referred to the House Calendar and ordered to be printed

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

78th-2nd, No. 111

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 16, 1944, for actions of Thursday, June 15, 1944)

(For staff of the Department only)

CONTENTS

Alcohol.....12	Food production.....4,20	Property management.....11
Appropriations.....2	Foreign relief.....26	Purchasing.....5
3,4,8;9,10,15	Health.....6	Regulatory functions.17,20
Budget reserves.....2	Irrigation.....4	Small business.....18,27
Bureaucracy.....21	Labor.....8,9,15,34	T.V.A.....2
Coconut oil.....1	Land disposition...3,10,19	Taxation.....1
arm Security.....25	Loans, farm.....25,29	Transportation.....20,31
Farm wages.....34	Meat inspection.....23	Vehicles.....2
Flood control.....4	Parity.....22	Veterans.....28
Food adm. (general)....20	Personnel.....8,13,15,23	War contracts.....5
Food distribution....20,33	Post-war planning.3,5,7,24	War powers.....16
Food inspection.....23,30	Price control..14,20,22,32	

HOUSE

1. COCONUT OIL; PROCESSING TAX. Passed without amendment H.R. 4837, to extend for 2 years the suspension in part of the processing tax on coconut oil (p. 6052).
2. INDEPENDENT OFFICES APPROPRIATION BILL. Both Houses agreed to the conference report on this bill, H.R. 4070, and acted on items in disagreement (pp. 6046-50, 6052-3). (For provisions of interest see Digest 110.) The House agreed to Rep. Woodrum's (Va.) motions to recede and concur in the Senate amendments with amendments: (1) So as to provide that "all funds heretofore appropriated to the Public Roads Administration for the construction of roads but impounded or withheld from obligation or expenditure by any agency of official are hereby released and made available...for the purposes for which they were originally appropriated subject to the approval of...[WMC] as to the availability of manpower and subject to the approval of...[WPB] as to availability of critical materials"; (2) so as to restore the House language relating to covering TVA receipts into the Treasury in a TVA fund and requiring a report to be made to the Appropriations Committees every four months of all receipts and expenditures; and (3) so as to provide for the dismissal of "any officer or employee of the Government who uses or authorizes the use of any Government...passenger vehicle...for other than official purposes" (pp. 6052-3). This bill will now be sent to the President.
3. WAR DEPARTMENT MILITARY APPROPRIATION BILL. Passed, 357-0, with amendments this bill, H.R. 4967 (pp. 6057-78). Agreed to Rep. Kilday's (Tex.) amendment providing that the Secretary of War shall not be authorized to dispose of any lands acquired by the U.S. prior to July 2, 1940, nor shall he declare any such lands surplus for disposition (pp. 6074-5). Rep. Starnes, Ala., discussed the provisions of this bill (pp. 6062-7) and post-war security and the problems involved (pp. 6066-7). Reps. Carlson, Kans., and Case, S. Dak., discussed the disposition

4. WAR DEPARTMENT CIVIL APPROPRIATION BILL. Agreed to the conference report on the bill, H.R. 4183 and acted on the items in disagreement (pp. 6078-82). Agreed to Rep. Snyder's (Pa.) motion to insist on disagreement to the Senate amendments relating to increased production of agricultural commodities that would be promoted by the use of any irrigation or flood control project and appropriations (House \$25,000,000; Senate, \$26,000,000) for flood control on the Mississippi River. The Senate has not acted on this report.

5. WAR CONTRACT TERMINATION. Agreed to the resolution for consideration of S. 1718 the war-contract settlement bill (pp. 6083-8). Rep. Andrews, N.Y., inserted the minority views on H.R. 3022, a similar bill (pp. 6084-6).

6. HEALTH. Interstate and Foreign Commerce Committee reported with amendment H.R. 4615, to establish, for the investigation and control of tuberculosis, a division in the Public Health Service (H. Rep. 1644) (p. 6091).

7. POST-WAR LIMITARY PLANNING. Select Committee on Post-War Military Policy submitted the 1st report pursuant to H.Res. 465 (H. Rept. 1645) (p. 6091).

SENATE

8. WAR AGENCIES APPROPRIATION BILL. Sen. Russell, Ga., submitted an amendment (June 13) which he intends to propose to this bill, H.R. 4879, making appropriations for war agencies for the fiscal year 1945, which provides that not more than 25% of the part of the Fair Employment Practices Committee appropriation ~~to be used~~ for the payment of compensation for personal services shall be used for the payment of compensation of persons who are members of any race comprising less than 15% of the total population of the U.S., according to the 1940 census.

9. LABOR-FEDERAL SECURITY APPROPRIATION BILL. Passed with amendments this bill, H.R. 4899, which was reported June 13 (S. Rept. 965) (pp. 6017, 6038-46). Sen. McCarran, McKellar, Russell, Bankhead, Truman, White, and Reed were appointed conferees (p. 6046). Rep. McKellar discussed the status of the appropriation bills (p. 6034).

Agreed to Sen. McKellar's committee amendment to provide \$2,465,000 for WMC, migration of workers (other than workers for employment in agriculture).

10. NAVAL APPROPRIATION BILL. Agreed to the second conference report on this bill, H.R. 4559 (p. 6046). The conferees struck out the Senate provision for the resale to the original owners of Okla. land found to contain oil after acquisition by the Navy. This bill will now be sent to the President.

11. PROPERTY MANAGEMENT. Received the President's report concerning the quantity and kinds of surplus war property held and the manner in which such material is recorded by various agencies, including WFA, together with recommendations for the disposition of such surpluses (p. 6018-21).

12. ALCOHOL PRODUCTION. Sen. Capper, Kans., inserted a J. C. Lysle Milling Co. telegram protesting WFA action granting permission for use of soft wheat in alcohol production (p. 6022).

13. PERSONNEL; RETIREMENT. Sen. Holman, Oreg., inserted two amendments which he intends to propose to S. 1371, to amend the Civil Service Retirement Act so as to provide for optional retirement after 30 years of service (p. 6023).

acting under the direction of the Joint Chiefs of Staff and will operate as a task force just as the mighty naval task forces are now roaming the Pacific Ocean seeking to bring the Japanese fleet out into the open and send it to Davy Jones' locker at the bottom of the sea. This is a new day in warfare. The B-29's will hasten the end of the war. The process of softening the Japanese mainland is now under way. It may be safely assumed that these planes approached Tokyo at an altitude of more than 30,000 feet and a speed of more than 300 miles per hour with the heaviest bomb loads and the greatest armaments of any airplanes in the world. The Navy Department has just announced that United States troops are landing on Saipan in the Mariannas, within 1,500 miles of Tokyo. From this point our super Flying Fortresses will soon be carrying the war to the Japanese homeland.

Mrs. NORTON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mrs. NORTON. Mr. Speaker, in thanking God for the wonderful news we have just heard, and I know we all do thank God, and in thanking the brave soldiers who made that news possible, let us also remember the men and women here at home working day and night on the assembly lines and in the factories of the Nation producing the implements of war to make this good news possible.

HOOR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet tomorrow at 11 o'clock.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

EXTENSION OF REMARKS

Mr. MANSFIELD of Montana. Mr. Speaker, I ask unanimous consent to extend my remarks and to include therein an editorial from the Christian Science Monitor.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

CONTRACT SETTLEMENT ACT OF 1944

Mr. COLMER. Mr. Speaker, I call up House Resolution 589, and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. It shall be in order to consider with-

out the intervention of any point of order the substitute amendment recommended by the Committee on the Judiciary now in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill. At the conclusion of such consideration, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. The previous question shall be considered as ordered on the bill and amendments shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. COLMER. Mr. Speaker, I yield 30 minutes to the gentleman from Michigan [Mr. MICHENER], and pending that, I yield myself 7 minutes.

Mr. Speaker, at some not distant date, and the shorter the distance the better, someone is going to rise on the floor of this House and announce that the war is over, with the sudden dramatic effect of the announcement of the gentleman from Alabama [Mr. STARNES], when he announced the bombing of Tokyo. I hope that that time will not be a long way off. However, when that announcement comes we want to be ready for the events that will follow. I am sure anyone who has given a moment's thought to the effect of what that coveted moment is going to mean, realizes that when the announcement is made that the war is over over there, the telegraph wires are going to be busy going out of the War Department to every corporation and every manufacturer in this country telling them to cease making airplanes, tanks, munitions, ships, and the other sinews of war. What is going to be the effect upon the economy of this country when that announcement is made? We have, all told, in excess of 50,000,000 people now employed in this country, most of whom are largely engaged in the manufacture of the sinews of war. When that announcement is made the wheels are going to cease to grind. Oh, it is going to be a happy day in this country when that announcement is made, but it is also going to be a great day of responsibility for the people of this country and those responsible for giving gainful employment to those thrown out of work when the wheels of industry stop turning. Now I know that is not as glamorous a subject to discuss as is the actual warfare. The Congress of the United States, you and I, have the duty to prepare for that day just as it was our duty to prepare for the day of warfare. And remember this, when that day comes—and it will come suddenly—and if we are not prepared to take up the slack in employment we may have another tragedy like Pearl Harbor, but on another front.

Mr. Speaker, at the first of this session you appointed an 18-man committee, known as the Special House Committee on Post-war Economic Policy and Planning. One of the chief purposes of this committee, we thought, was to bring about a speedy reconversion of our wartime economy to a peacetime economy when the war was over. Therefore, one

of the first subjects that our committee undertook to study was that of termination of war contracts, with the thought primarily in mind of full employment at the end of the war. This committee, composed of some of the ablest Members of this House, has given months of careful, sober consideration to the subject of legislation for the termination of these war contracts. We met frequently and heard all sides of the subject, including both capital and labor. As a result of these deliberations, we recommended what we regard as a fair bill which would do the job with speed, and at the same time protect the interest of the Government. This bill was agreed upon by the subcommittee and given the unanimous endorsement of the full committee. The committee instructed the gentleman from Pennsylvania [Mr. WALTER], the chairman of the subcommittee, to introduce the bill. This committee not having legislative jurisdiction, the bill was referred to the Committee on the Judiciary where it again was given full and careful consideration and by that committee unanimously reported.

Mr. Speaker, I am trying to emphasize the importance of the speedy and final termination of these contracts when that day comes, so that the people of this country who are now engaged in that employment, and these soldier boys in whom we are so intensely interested, can secure employment once the war is won.

Mr. WHITE. Will the gentleman yield?

Mr. COLMER. I yield.

Mr. WHITE. Referring to the speedy termination of contracts, what are you going to do with the war workers?

Mr. COLMER. I am sorry; I did not get the significance of the gentleman's question.

Mr. WHITE. What do you propose to do with the war workers who are working on these contracts?

Mr. COLMER. We want to speedily terminate those contracts so that we can speedily reconvert from a wartime to a peacetime economy, and to give employment to the people thrown out of employment by the cessation of war activities, and give employment speedily to the returning soldiers.

There are two schools of thought on this matter, and we might just as well face it in the beginning. There are two schools of thought about how this should be done. One school of thought advocates that these contracts should be terminated speedily and finally, without any undue delay; without any so-called red tape; without the necessity for a prolonged preaudit. In other words, permit the people who made the contracts, the war agencies who are best familiar with those contracts, to terminate them promptly.

The SPEAKER pro tempore (Mr. O'NEAL). The time of the gentleman from Mississippi [Mr. COLMER] has expired.

Mr. COLMER. Mr. Speaker, I yield myself 5 additional minutes.

The other school of thought advocates a preaudit of all of these contracts by the office of the Comptroller General.

I hope this question will be fully debated tomorrow, and I hope the Members of the House will give close attention to the advocates of both schools of thought, because we are all striving for one objective. The advocates of the other school of thought say we should have this pre-audit; that we should go through and audit in excess of a million subcontracts and over a hundred thousand prime contracts. Now, that is fine. I agree with that, with but one exception. We all want to save the Government every dollar that can be saved. We want to see that the Government is fully protected, as far as possible, in the final settlement of these contracts. None of us have any interest in this matter except the common interest of the country. But I say to you, the Post-war Committee of the House, consisting of 18 Members from both sides of the aisle, representing a cross section of the country, say to you unanimously that that will so retard and slow up the reconversion that it would prove disastrous. The entire Committee on the Judiciary of the House of Representatives says that would slow up and retard the orderly conversion and speedy termination of these contracts, without a dissenting vote in that committee. That great, learned, and elderly statesman, Mr. Bernard Baruch, and his associate, Mr. John Hancock, state in their report that if you did that it would twiddle this country into a post-war panic.

The other school of thought is sponsored by the able gentleman from Kentucky [Mr. MAY] the chairman of the Military Affairs Committee of the House, and half of his committee—all splendid gentleman. As against that you have the unanimous report of the Committee on the Judiciary of the House, and of the post-war Committee of the House, and the additional fact that the Senate passed a similar bill without a dissenting vote.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Mr. COLMER. Mr. Speaker, I yield myself 3 additional minutes.

Mr. MAHON. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield to the gentleman.

Mr. MAHON. Will the gentleman make clear the position of the Comptroller General with respect to these two schools of thought on this subject?

Mr. COLMER. I will be happy to do so. The Comptroller General appeared before a subcommittee of the Post-war Committee, dealing with this subject. In addition to that, the Director of the Post-war Committee and I went down and talked with the Comptroller General for some 2 hours on the subject before we came to any conclusion on the subject, and before the committee came to any conclusion.

I think it is fair to say, and if this is not true I hope some of those who talked to him may correct me later, the Comptroller General took the position that he either wanted to be into this picture fully and audit the whole thing, or he did not want to be in it at all.

Mr. ANDREWS of New York. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield.

Mr. ANDREWS of New York. I wonder if the gentleman would have any objection to my including in the RECORD at this point the minority views of the Committee on Military Affairs signed by 13 members, authorized under the chairmanship of the gentleman from Alabama [Mr. SPARKMAN].

Mr. COLMER. I yield for that purpose but suggest that the gentleman put them in following my remarks.

Mr. ANDREWS of New York. Following the gentleman's remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. COLMER. There are so many things about this bill I should like to call attention to if we had time.

So far as I know there is but one controversial phase of this question. I know there is going to be a lot of argument made here in the consideration of this bill just as has been made in other places that unless the Comptroller General is required to preaudit these contracts there will be fraud. I challenge that. I take the position that if that were true I would be the last person in the world to advocate the other side of the argument. Why do I say that? So far as I know I do not have a single war contractor in my congressional district who would be affected by this termination-of-contract legislation. I have but one interest in this matter—and I say now to those who belong to the other school of thought that my mind is still open and if they can convince me of the superiority of their theory during the progress of this debate then I will join them. My chief interest is seeing that we have full employment and not a panic after the war.

The SPEAKER pro tempore. The time of the gentleman from Mississippi has again expired.

Mr. COLMER. Mr. Speaker, I yield myself 2 additional minutes.

Mr. WALTER. Mr. Speaker, will the gentleman yield?

Mr. COLMER. I yield to the distinguished gentleman from Pennsylvania, a member of both the Committee on the Judiciary and the Post-war Committee, who has been largely responsible for the formulation of this legislation.

Mr. WALTER. Are the usual duties and responsibilities of the Comptroller General under existing law in anywise affected by this legislation?

Mr. COLMER. They are not, except to be augmented. The argument will be made here that we are taking the Comptroller General out of the picture. We are doing nothing of the kind. We put him in the picture even though he told us that he did not want to be in the picture unless he could be in all the way. We took the position that that was a matter for the Congress to decide, with all due deference to the able Comptroller General for whom we all have a great respect. We are not taking the Comptroller General out of the picture, we

are putting him in there. We are doing more than that. After this bill passed the Senate these two committees, the Post-war Economic Planning Committee and the Judiciary Committee put every single safeguard in this legislation against fraud and corruption. Not only do we provide in this bill that if a contractor puts across a fraud or is convicted of putting across a fraud then he can be sent to jail for 10 years and be fined \$10,000, but we go further and say that if a man tries to perpetrate a fraud upon this Government by submitting a false or fraudulent claim even though he does not get one red cent, we penalize him 25 percent of the amount he claims he was entitled to. That is how far we have gone to try to protect the taxpayers against fraud in this matter. In other words, we have given the Comptroller General duties in this bill that he has not heretofore had.

The SPEAKER pro tempore. The time of the gentleman from Mississippi has expired.

(Mr. COLMER asked and was given permission to revise and extend his remarks.)

Mr. ANDREWS of New York. Mr. Speaker, I wish to insert here the minority views of 13 members of the Military Affairs Committee in opposition to a bill on this subject, which was reported by that committee. This report was drawn through the able efforts of the gentleman from Alabama [Mr. SPARKMAN] with, as I understand it, the complete approval of the War Department, and I know that these views have been confirmed by the actions of the subcommittee of the Judiciary Committee under the leadership of the gentleman from Pennsylvania [Mr. WALTER] in reporting the bill before us today. This has my earnest support.

The undersigned members of the committee are fully in accord with the view that legislation on the subject of contract termination is necessary, to unify the procedures of the procuring agencies and to give them certain powers which they now lack. However, the provisions of H. R. 3022 insofar as they relate to the Comptroller General's part in the settlement of terminated contracts are subject to the most serious objections, which have made it necessary to file this statement of additional views.

Last fall the Comptroller General proposed to this and other committees of the Congress that all settlements of terminated contracts made by the procuring agencies be submitted to the General Accounting Office for review before they became final. Since that time, a great deal of testimony has been taken on the question. Almost without exception, the witnesses, representing both governmental departments and business and professional groups, have said that the Comptroller's proposal was unsound and impracticable, that it would interfere with procurement during the war, and that it would so seriously delay reconversion when peace came that it might be responsible for a major depression.

In the face of all this testimony, H. R. 3022 not only adopts the Comptroller's proposal but goes much further. By creating a board in the General Accounting Office with jurisdiction over the policies of the executive departments relating to contract termination and property removal, it wholly

distorts the position of the General Accounting Office and divides responsibility between it and the war agencies in a way which is likely to interfere disastrously both with war production and with our return to peacetime manufacture.

THE SYSTEM PROPOSED BY H. R. 3022

The principal features of the system proposed by the bill are the following:

(1) The bill creates a war contracts settlement board in the General Accounting Office. It is to have not less than three nor more than nine members, to be appointed by the Comptroller General; and it will have power to establish regulations governing the contracting agencies in any matter related to contract termination and settlement, or to property removal.

(2) When any prime contract or subcontract is terminated, the contracting agency first endeavors to agree with the prime contractor or subcontractor as to the reasonably certain elements of his claim. If an agreement is reached, the contracting agency pays the contractor 100 percent of the agreed amount, and forwards to the board the settlement agreement (which remains tentative). If the board approves or fails to act within 6 months, the agreement becomes final. If the board disapproves, it returns the agreement, with its objections, to the contracting agency, which must endeavor to negotiate a new agreement avoiding the objectionable features. The bill does not spell out what happens in the event of failure to reach a second agreement.

(3) If the contracting agency and the contractor cannot agree as to all or any part of the claim, the contracting agency must pay the contractor 90 percent of its estimate (or the contractor's estimate, whichever is lower) of the disputed items. In addition, if the contractor shows that he needs the money and can repay it, the contracting agency must guarantee a bank loan in the amount of the 10 percent remaining unpaid.

Then, in the case of prime contractors, the contracting agency, within 60 days after request, must make its findings of the amount due. Within 90 days after receipt of these findings, the prime contractor has the option to submit his claim to the board, or to a termination adjuster appointed by the board, or to arbitration, or to a Federal court. If he fails to do any of these things within this period, his sole remedy is the settlement of his claim through the General Accounting Office in the ordinary way.

The bill does not spell out what happens in the case of a subcontractor after he receives his 90-percent payment and 10-percent loan.

PROPOSED SYSTEM UNWORKABLE

The proposed system of settling terminated contracts is unworkable, for two main reasons: (1) It places a burden upon the proposed board which that board cannot possibly discharge; and (2) it effectively prevents the use of the negotiated settlement of termination claims, and will therefore indefinitely delay the settlement process.

1. The board cannot discharge its function: Sections 4 (a) and 7 (b) of the bill require the contracting agencies to endeavor to negotiate tentative settlement agreements on the termination of any prime contract or subcontract; and section 7 (b) then requires the submission of such agreements to the board for review.

The Under Secretary of War testified before this committee that the War Department alone had in effect more than 100,000 substantial prime contracts and more than 1,000,000 substantial first-tier subcontracts. The subcontracts of lower tiers, and the prime contracts and subcontracts of other agencies, would bring this to a much higher total.

No single board could effectively review settlements resulting from this vast number of contracts, in 6 months or a much longer period. Even with existing procedures, which have decentralized to field offices the authority to make final settlements, the War Department is having some difficulty keeping abreast of current terminations. The board, in practical fact, would be faced with one of three alternatives: Either it would have to allow the vast majority of cases to become final without any examination whatever; or it would have to resort to the most superficial kind of examination, which could only result in rubber-stamp approvals; or it would have to circumvent the 6 months' time limit by filing objection to settlements without any examination, holding them in suspense, and clearing up the objections over a much longer period of time. Any one of these results is highly undesirable. If the board makes no examinations or gives a rubber-stamp approval in most cases, it had better not exist at all; and if it secures the time needed for any action by extending the 6 months' period, it will create a disastrous bottle neck, which it is the very purpose of this legislation to obviate.

2. Negotiated settlements will be prevented: Section 7 (b) requires that all tentative agreements between the contractor and the contracting agency shall be submitted to the board for review; and section 7 (c) provides that if the Board disapproves any agreement, it shall be returned to the agency with the board's objections. The agency must thereupon try to make a final agreement, with the contractor, containing (a) the original provisions so far as approved by the board, (b) new provisions meeting the board's objections, (c) and no others.

Under these rules, there will be no negotiated settlements. For a contractor would know, when he sat down across the table from a contracting officer to trade out the points on which they disagreed, that the negotiation was all to be one way. Whatever concessions the contractor might make would be final; but whatever corresponding concessions the contracting officer might make could be taken back by the Review Board. In these circumstances, unless the contractor was desperate for immediate payment on any terms, there could be no advantage in negotiation; he would stand on his legal rights, and seek to prove to the Government's auditors that his entire claim had a valid basis. The result would be to substitute long-drawn-out auditing arguments for quick, final negotiations. Disposition of property would be held up until the Board had reviewed the case, because no prospective purchaser could be sure what price it would approve; and stagnation would result.

It was for reasons of this kind that almost every witness who has testified on this subject before this or other committees has been strongly opposed to allowing the Comptroller General to review termination settlements for any purpose beyond the discovery of fraud. There have been testimony and communications supporting this view from the Secretary of Commerce; from the Under Secretaries of War, the Navy, and the Treasury; from the Federal Reserve Board; from the National Association of Manufacturers, the United States Chamber of Commerce, the Automotive Council for War Production, the Aeronautical Chamber of Commerce, the Shipbuilders' Council of America, and various other industrial representatives; and from professional accounting sources, including the contract termination committee of the American Institute of Accountants, and the Journal of Accountancy.

More recently, objections to the Comptroller General's participation in termination settlements were strongly restated by Messrs. Baruch and Hancock in their carefully prepared report on contract termination. There

is no substantial body of business or professional opinion that favors control of termination settlements by the Comptroller General.

It is no answer to these arguments to say that H. R. 3022 provides for quick payment to the contractor, on a tentative basis, of a high percentage of what the Government owes him. Even this may be doubtful, because of the extreme administrative difficulty of making direct payments to all prime contractors and subcontractors. But, assuming that quick tentative payments can be made, they are insufficient to meet the need. Prompt finality of transactions is also essential.

Property has to be sold in contract terminations. Buyers will not buy unless they can know the price with finality. If the price is subject to change 6 months later by a review board, prospective buyers will go elsewhere. Many contractors who finish their war production will have to reconvert their plants to reenter the peacetime market. They cannot and will not do this until they know finally where they stand, and how much of the money paid to them is theirs and how much the Government's. The bill does not make it clear how far prime contractors are to go in settling with their subcontractors. If this is to be done at all, a prime contractor may be able to get quick final approval of a proposed subcontract settlement; otherwise he will let his subcontractors wait for their money until the Board finishes with his case. Finality is just as important to contract termination as speed; and the system proposed by H. R. 3022 utterly fails to provide for it.

H. R. 3022 PROPOSES UNSOUND DIVISION OF AUTHORITY BETWEEN GENERAL ACCOUNTING OFFICE AND EXECUTIVE DEPARTMENTS

There is another equally fundamental reason why the proposals of H. R. 3022 are dangerous, so far as they clothe the Comptroller General with power over contract settlements.

The executive departments are now charged with the responsibility for contract termination as an integral part of their responsibility for procurement of war munitions. Section 6 (b) of the bill proposes to transfer authority over contract termination policies to a board to be established in the General Accounting Office.

This is a radical change in the relationship between the General Accounting Office and the executive departments, for it divides between them authority over war procurement.

The General Accounting Office was intended to be an agency independent of the executive departments and responsible only to Congress, charged with the duty of overseeing the expenditure of public funds and reporting to Congress on these expenditures. It was never intended to be a policy-making body, nor to be vested with authority to direct the actions of the executive departments in carrying out their statutory responsibilities. It was never intended that the Comptroller General should exercise appointive authority over officials who would make rules and regulations binding upon the members of the President's Cabinet.

To change this concept, as proposed by H. R. 3022, would introduce into our form of government a wholly unsound division of responsibility for essential governmental functions. Fundamentally, the President and, under him, the heads of the executive departments are responsible for the discharge of the functions of the executive departments. They cannot do this if their activities are to be controlled by policies established, not by Congress, but by an agency independent of the Executive and not responsible to him. The proposal violates the fundamental theory of our form of government.

Such a division of authority would be unsound at any time; but, in the present state of affairs, it has two particularly dangerous

aspects. During the war, it would deprive the armed services of control over an essential aspect of war procurement; and, when the war is over, it may disastrously delay re-conversion to peacetime activities.

It may not be generally realized how intimately contract termination is related to the continuing procurement of other needed war supplies. At the present time, when we are still facing the major battles of this war, the War Department has already terminated a larger face value of contracts than it canceled at the end of the last war. This has happened during a period when our production schedules are still rising, and is due to the fact that the shifting needs of war changed the character and quantities of supplies that have been needed. Canceled contracts were promptly replaced by others for different materials, and this process will doubtlessly continue until the war is over. The time and method of terminating such contracts, the speed of payment, and the interim financing to be given to the contractor, are all, therefore, closely bound up with his ability to continue in war production. To divide authority in this field between the General Accounting Office and the armed services who are responsible for war procurement is unwise and dangerous.

When peacetime comes, the need for a system which will operate quickly and smoothly is no less great if we are to avoid a major depression. At that time, the personnel of the procuring agencies will alone have the necessary experience and organization to do the job promptly and efficiently; and divided authority would be just as harmful then as during the war.

SYSTEM PROPOSED IN BARUCH REPORT WILL BETTER SERVE NATIONAL INTEREST

It is very clear that H. R. 3022 proposes a dangerous experiment in divided authority which is likely to slow the settlement process down to a walk. The reason advanced for making this change in the existing system is that the public interest so requires; that the procuring agencies which made the contracts cannot be trusted to settle them; and that a third person must review each settlement to protect the public purse.

The system of contract settlement proposed by the Baruch report is far better designed to protect the true interest of the public.

The staffs of the procuring agencies consist not only of highly competent personnel of the regular staffs of the Army and Navy and other agencies, but of business and professional men recruited from the best available sources. These men have placed the contracts and administered them. They have built up a vast store of knowledge about the contractors with whom they have dealt; and they have acquired and are acquiring a fund of experience in the technique of handling contract terminations. No better qualified personnel can be found to do the job. The procedures governing contract terminations can be refined and improved so as to provide ample protection for the taxpayer's interest. The Baruch proposal is that negotiated settlements should be made by teams of experts, in which negotiators are assisted by legal, accounting, engineering, and other technical personnel; and that adequate records should be kept, which the Comptroller General and the Attorney General would be free to examine, to detect and punish fraud or collusion.

We have entrusted to the procuring agencies complete responsibility for the placement of contracts for war supplies. United States munition production has recently been running at a rate between five and six billion dollars per month. Expenditures for completed munitions of war will exceed by many times the amounts which will be involved in termination settlements. The termination of a procurement contract involves essentially the making of a new contract calling for a

smaller quantity of the product and a lesser expenditure of money than the original agreement. Those whom we have trusted to do the larger job can certainly be trusted also with the smaller one.

What the Baruch report recommends is not a radical change in our established system of settling terminated contracts, but rather the improvement and perfection of the way in which the job has always been done. The contracting agencies have always exercised authority to settle the contracts that they have made. Since this war began, the War Department alone has terminated more than 19,500 prime contracts and settled 14,000 of them. The uncompleted value of the settled contracts was about \$3,900,000,000, and the amount expended in settlement was about \$85,000,000.

In the making of these settlements, a vast fund of experience has been accumulated; and procedures are being developed, under the recommendations of the Baruch report, for the speedy and satisfactory handling of termination claims. A uniform termination article has been announced which has for some time been required in all new contracts and which provides for the making of final negotiated settlements.

The provisions of H. R. 3022 would cut across and completely confuse existing procedures. They would cast doubt on the rights under existing contracts containing the uniform termination article; they would probably require that a different termination article be used in the future; and they introduce into the picture a new board in the General Accounting Office, whose staff, even if it could be recruited at all under existing conditions, would be completely without knowledge of the problems involved.

For the reasons given the undersigned members of the Committee cannot approve H. R. 3022 in its present form and propose to offer amendments which will effectuate the recommendations of the Baruch report.

MATTHEW J. MERRITT.
JOHN M. COSTELLO.
JOHN J. SPARKMAN.
PAUL J. KILDAY.
CLIFFORD DAVIS.
JOHN EDWARD SHERIDAN.
W. G. ANDREWS.
L. C. ARENDS.
CHARLES R. CLASON.
J. PARNELL THOMAS.
THOS. E. MARTIN.
J. LEROY JOHNSON.
CLARE BOOTH LUCE.

Mr. MAHON. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made on the floor earlier this afternoon.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. FISH. Mr. Speaker, I yield myself 5 minutes.

The SPEAKER pro tempore. The gentleman from New York is recognized for 5 minutes.

Mr. FISH. Mr. Speaker, this is perhaps as important a bill as has come before this session of the Congress. Committees of the Congress have been working on similar legislation for the past 6 months, the Military Affairs Committee, the Naval Affairs Committee, and the Special Committee on Post-war Economic Policy and Planning. The House authorized the creation of this special committee to deal with the settlement of post-war problems. I have the honor to be the ranking Republican member on that committee. It has been holding sessions almost daily for the past 2 months. It has a very expert staff. It engaged

Mr. Marion B. Folsom, the treasurer of the Eastman Kodak Co., of Rochester, N. Y., as its adviser and director. Mr. Folsom is a man of outstanding ability, progressive and forward looking, and has been giving his undivided time to this legislation. It comes to you with the unanimous report of the Post-war Committee; it comes with the unanimous report of the subcommittee which also held numerous meetings on this bill.

As a result of these hearings extending over many months a bill was agreed on and although we have no right to report legislation to the House, a member of that committee, a very distinguished member, the gentleman from Pennsylvania [Mr. WALTER] who is also a member of the Committee on the Judiciary, introduced a bill. It went to the Committee on the Judiciary. They considered all the bills, that from the Committee on Naval Affairs, the one from the Committee on Military Affairs, and the Senate bill as amended by Mr. WALTER. Finally the gentleman from Pennsylvania [Mr. WALTER] agreed to take his name off the bill and substitute his bill for the Senate bill; so it is really the Walter bill imposed on the Senate bill that has been reported out and is now before you with an open rule permitting any germane amendment. It is really the Walter bill recommended by the Post-war Economic Policy and Planning Committee with a few minor amendments made by the Judiciary Committee.

I wish to take this time to answer some of the criticisms in the press that there has been undue and unnecessary delay. There has been no delay whatever by any of these committees. They have given more time to the consideration, the detailed consideration of this legislation than has ever been given to any bill in the Congress in recent years. Actually three committees have been working on it for months. The following is part of an editorial which appeared in the New York World-Telegram a few days ago:

War contract cancellations and cut-backs will affect an increasing number of plants from now on. If Baruch-Hancock recommendations continue to be ignored this country will pay a heavy and needless penalty in waste of public funds, shortages of civilian goods, delayed industrial reconversion, unemployment, and adversity.

There is really no truth to that statement or to any of the loose charges that there has been any delay. All of these committees, regardless of what the Congress does, all of these committees have been trying to write constructive legislation to terminate war contracts and to solve this post-war problem affecting the employment of labor after V-day.

Behind it all is one objective, to put 11,000,000 soldiers who will return back to work and 11,000,000 additional war workers who will be demobilized out of the war factories. That is the purpose of the present legislation. Speed is of the essence. There has been no delay and will be no delay in getting this vital piece of legislation enacted into law.

Mr. Speaker, it is now before the Congress and I hope it will be passed by the House tomorrow and sent to conference,

so that we will be able to get it through both the House and Senate before we leave here on the 23d of June. I admit that there has been some delay in writing legislation to dispose of surplus war supplies but that has not been the fault of the committee but rather of the administration and that bill will now have to wait until after we recess.

Mr. MAY. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Kentucky.

Mr. MAY. When we come to general debate, I will tell the gentleman who delayed it.

Mr. FISH. I do not think there has been any delay in the consideration of legislation to terminate contracts. Of course, the gentleman will have ample time to make any statement he wants in general debate.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. FISH. Mr. Speaker, I yield myself 8 additional minutes.

Mr. Speaker, I want to say a word about Mr. Bernard M. Baruch. I have known him for many years. He is one of the ablest and most experienced men in public life today. He, more than anyone else, originated the post-war economic program, particularly as it affects the cancelation and termination of contracts and disposal of surplus material with the able assistance of Mr. John Hancock. Mr. Baruch is a wise old owl if there ever was one, and has plenty of vision and foresight based on practical experience. He is known to most of us as an elderly statesman who anticipates difficulties and helps steer the ship of state away from uncharted schools of confusion and chaos. He has had experience that no one else in this country has had from the last war. He is utterly unselfish, and has no ax to grind. All he cares for is the welfare of the country and the solving of these economic problems so that the returning war veterans can be put back to work, as well as those who will be demobilized by the millions from war factories. We want to expand private industry to take care of these millions of American men and women; to give them jobs and maintain a program of expansion, employment, and prosperity. That is all he is after, and he asks nothing for himself except the thanks of a grateful country. I submit however that any criticism on his part as to delay is entirely unjustifiable, and I say that as one of his friends and admirers. I am here to state the facts in regard to the work these committees have been doing, particularly the Committee on Post-war Economic Policy and Planning, of which I am a member.

Mr. WRIGHT. Will the gentleman yield?

Mr. FISH. I yield to the gentleman from Pennsylvania.

Mr. WRIGHT. If the million or so contracts are tied up by any process of auditing for several years, we never will get any reconversion and we never will get this reemployment that the gentleman spoke about.

Mr. FISH. That is why we have this termination-of-contracts bill before us today. We do not bring the Comptroller General in and require him to make pre-

audits, because we are fearful if there are preaudits, it will be interminable and might run for several years.

Mr. Speaker, I stand here without any prejudice whatever and am supporting the pending bill because I am convinced it is the soundest and best solution of the problem. The members of the subcommittee will talk about the details of this bill. I want to emphasize, however, that the Post-war Economic Policy and Planning Committee leaned over backward to make the provisions dealing with fraud and attempted fraud far more drastic than was written into the Senate bill. The members went to the extreme, as they wanted to get a bill that was workable but at the same time would protect the interests of the public and expedite the settlement of these contracts both for the prime contractor and for the subordinate contractors. This is the whole purpose of the bill. The committee has taken care of the question of fraud and attempted fraud, as will be pointed out later; therefore, I will not say anything more about it now in order to save time.

Mr. Speaker, Mr. Baruch had this to say only yesterday: "For the good of all of us, but mostly for the sake of our soldiers and sailors, let us hurry, hurry, hurry, not only in winning the war but in being ready for the peace. Delays jeopardize both of these objectives."

Mr. Speaker, the Congress, in my opinion, will pass this bill tomorrow and it will be enacted into law within a week. Perhaps Mr. Baruch has not been informed, perhaps he thinks we are going to recess for 5 or 6 weeks without acting upon this legislation. I can assure him, however, that it is the intent of the entire Congress, Republicans and Democrats alike, to get action on the bill tomorrow, so far as the House is concerned, and send the bill to the President next week. Therefore, Mr. Speaker, that criticism is not fair to the Congress. Actions speak louder than words.

I want to emphasize to the Congress that there are three major problems facing America today. One is in the immediate process of being solved. That is winning the war. We know that we will win this war. We hope and believe that we will win it in Europe this year and next year in Japan. I have just heard, and I am proud to say it, that the Twentieth Bombing Squadron has just bombed Japan. I hope they will bomb the hell out of Tokyo and Japan, as it would be retribution of justice for what the Japs did to our captured pilots who previously bombed Tokyo.

The second problem to solve is the peace. That is something we are unable to do at the present time. There is not a Member of Congress who could not talk an hour on that subject, but he would contribute nothing in the hour because we cannot solve the problem until we win the war and know the peace aims of Soviet Russia and the British Empire. If we try to solve it before then, we are merely wasting our time. We will have to know their war and peace aims first before we can reach any agreements.

The third problem before us and this is part of it, is solving the post-war economic problems of our own country in

order to preserve our free institutions, preserve private enterprise, and to employ American wage earners. That is something we can do now, and we are in the process of doing it.

I hope the House will not spend too much time trying to amend this bill and make it impossible through further delays to cancel these contracts with the speed that will be needed to convert our war industries to peacetime requirements.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. COLMER. Mr. Speaker, I yield such time as he may desire to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Speaker, I ask unanimous consent to insert in the RECORD, because of its worthiness and in order to permanently preserve, the address of Archbishop Edward Mooney titled "Anti-Semitism Directly Opposed to Christian Teaching."

The archbishop deals most eloquently and forcefully with a subject of fundamental import to all Americans, Catholics and Protestants alike.

The address appears in the issue of the Michigan Catholic under date of June 8, 1944.

I ask, that notwithstanding the fact that the cost of printing may exceed the minimum under the rule, the address may be printed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan [Mr. DINGELL]?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. FISH. Mr. Speaker, I yield 5 minutes to the gentleman from New Jersey [Mr. WOLVERTON] who is a member of the committee and also the Subcommittee on Termination of Contracts.

Mr. WOLVERTON of New Jersey. Mr. Speaker, there is no question that can come before Congress at this time of greater importance than the problem of reconverting our Nation from a wartime economy to a peacetime economy.

I do not mean to infer that we have arrived at a point where it is unnecessary to continue our effort to meet every need of our armed forces. While we have made great military advancement, yet the fact remains that we are not yet victorious. There must be no let-up in our effort, either military or legislative, until final and complete victory is achieved.

But the time is at hand, and the announcement just made to the House of the successful bombing of Tokyo emphasizes it, that requires us to think of, and provide for, the problems that will immediately arise upon a cessation of war activities. The problems we will then face will be serious and their proper solution vital to the immediate and future welfare of our Nation. Preparation to meet them should not and cannot longer be delayed. We were unprepared when war came upon us. We must not be unprepared for peace. If we are unprepared it will result in an economic condition that will not only be serious in its consequences but could easily become chaotic.

This possibility and the need for immediate action to prepare against it has been recognized by business leaders in every line of peacetime activity and by labor leaders. All of them recognize the necessity of immediately providing appropriate legislation.

This House has already recognized the importance of the question by appointing a Special Committee on Post-war Economic Policy and Planning, a committee upon which it is my privilege to serve under the able leadership of the distinguished gentleman from Mississippi [Mr. COLMER].

This committee has worked faithfully and well to fulfill the responsibility placed upon it. We have had before us some of the most outstanding leaders of business and labor. We realize that the time is short and the need for speed is pressing. What is to be done must be done quickly or the problem will be ahead of us and its solution more difficult.

While the committee has ever been cognizant of the necessity for speed, yet it has not failed to give careful and serious consideration to the recommendations it has made and the legislation that is necessary to make its recommendations of practical value.

The legislation which this rule makes in order, namely, a plan for speedy determination of claims originating out of cancelation or termination of war contracts, is the first of a series of bills that will be offered to the House.

The bill is based upon the recommendations made and the views expressed in the Baruch-Hancock report. It is not greatly dissimilar to the bill already passed by the Senate. It has had the careful study of the special committee appointed by the House and by the Judiciary Committee of this House. It has had the unanimous approval of the special committee, and I understand with a few changes likewise has the unanimous approval of the Judiciary Committee. I therefore ask your approval of this rule and the bill that will follow.

[Mr. MICHENER addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. FISH. Mr. Speaker, I yield 5 minutes to the gentleman from Illinois [Mr. DEWEY], a member of the subcommittee of the Post-war Economic Policy and Planning Committee that handled the contract-termination legislation.

Mr. DEWEY. Mr. Speaker, it is quite characteristic of the splendid judicial attitude of my chairman, the gentleman from Mississippi [Mr. COLMER], of the Post-war Committee, to say that he still has an open mind in regard to the matter of possible post-war audits of terminated contracts by the Comptroller General. I am frank to say that I am fully convinced and my mind is quite closed on that subject.

For a year now I have been giving a good deal of study to this situation, and I do not see how it would be possible to make a final termination unless you terminate. Hundreds of millions and billions of dollars have been expended by the procurement officers of the Government. They have done a splendid job.

I know of no cases that have been brought up where there has been an accusation of anything except the honest handling of the people's money. These same procurement officers are going to terminate the contracts which they themselves have made, they have a familiarity with them and, as the gentleman from Michigan [Mr. MICHENER] has said, time is of the essence.

We have heard from Mr. Moulton of the Brookings Institute, and others who have full knowledge of such subjects, that there are in the present labor forces 65,000,000 men and women, including our soldiers, of whom there will be 11,000,000 coming back seeking jobs some day. We know that we have a tremendous public debt growing out of this war that can only be serviced if we have high and constant employment and free industry. If we are going to keep the national income sufficient to service our public debt and the other demands of Government we shall have to keep employed somewhere between 53,000,000 and 55,000,000 men and women.

• We have no time following this war to search about and audit a dollar here or a dollar there. We have to again trust the abilities of those Government servants who have already made the contracts to terminate them.

This bill that has been given so much study provides adequate methods, adequate safeguards by which contracts can be terminated, the machinery that was used for the war effort moved out of the plants and peacetime machinery brought in, the business of peace recommenced, and jobs given to the returning soldiers and the present members of our labor force who wish to continue in their present pursuits.

How can this evolution be financed? What banker would want to make loans to these industries if he thought some other department of government might step in 2 or 3 years hence and post-audit the whole situation and say, "Here, there was a mistake made."

No, this is one of the greatest economic evolutions this country has had since we converted from peace to war. Now we have to take that next great step and convert from war back to peace. This bill will provide the methods and safeguard the American taxpayers, and I heartily back it. I hope it will be passed.

Mr. FISH. Mr. Speaker, I yield myself 1 minute.

Mr. Speaker, I take this time to pay my respects to the gentleman from Mississippi [Mr. COLMER], who is the able and distinguished chairman of the Post-war Economic Policy and Planning Committee. As chairman of that committee he has been most cooperative and has driven the committee day in and day out to get this legislation before the House of Representatives.

May I also say a few words in regard to another member of that committee, the gentleman from Pennsylvania [Mr. WALTER], who is in reality the author of the termination-of-contracts bill. He is one of the ablest and best lawyers in the House of Representatives. He has given his undivided time for the last month to

considering the details of this highly important legislation. Both of these gentlemen deserve much credit for the time, effort, and energy they have put into shaping the pending bill.

I hope the House will follow the leadership of the gentleman from Mississippi [Mr. COLMER] and the gentleman from Pennsylvania [Mr. WALTER] because they are deserving of it in every respect and have given unselfishly of their time and abilities in trying to formulate the very best and most workable bill for the Congress to adopt.

Mr. DEWEY. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Illinois.

Mr. DEWEY. As a member of the subcommittee, may I add a word in tribute to my distinguished colleague the gentleman from Pennsylvania [Mr. WALTER] on the energy he has displayed and the sound common sense he has given to all these problems?

Mr. COLMER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. MADDEN, for 2 days, on account of important business.

To Mr. BLACKNEY, for 4 days, on account of death in family.

EXTENSION OF REMARKS

Mr. MICHENER. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today, and further ask unanimous consent that the gentleman from Oregon [Mr. ANGELL] be permitted to revise and extend his remarks and include therein certain excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that on Monday next, at the conclusion of the legislative program of the day and following any special orders heretofore entered, the gentleman from Connecticut [Mr. MILLER] may be permitted to address the House for 40 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

EXTENSION OF REMARKS

Mr. GILLIE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein some remarks I made in connection with the Bureau of Animal Industry.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

[The matter referred to appears in the Appendix.]

IRELAND, AN INDEPENDENT REPUBLIC

Mr. CURLEY. Mr. Speaker, I ask unanimous consent to address the House

June
16

14. WAR CONTRACT TERMINATION. Began and concluded general debate on S. 1718, providing for the settlement of war-contract-termination claims (pp. 6132-60). Rep. Walter, Pa., discussed the bill's objectives (pp. 6132-4). Rep. Wolverton, N. J., urged enactment of this bill in order "to have an orderly transition from war...to peace production" (pp. 6152-4).
15. DEFICIENCY APPROPRIATION BILL. Appropriations Committee reported this bill, H.R. 5040 (H. Rept. 1660) (pp. 6130, 6161). This bill provides: for Forest Service, national forest protection and management, 1945, \$596,000; for Federal Farm Mortgage Corporation, salaries and expenses, 1944, \$378,000 from Corporation funds; for continued availability of unexpended balances until June 30, 1945 of the Emergency fund for the President and Foreign war relief appropriations; for Office of Economic Stabilization, salaries and expenses, \$100,000; for OPA, \$182,252,000 (Budget estimate, \$182,252,000); for war housing, a reappropriation of unexpended balance of \$7,500,000 (Budget estimate, appropriation of \$15,000,000); for Bureau of Reclamation, an increase in limitation on use of power revenues for operation and maintenance for the Parker Dam, Rio Grande, and Boulder Dam power projects; for Procurement Division, \$200,000 (Budget estimate, \$600,000) for federal-property utilization; for War Department, emergency flood control, \$12,000,000 which is made available until expended, authorized by Public Law 318, 78th Cong., and for judgments and claims. The bill prohibits the use of Emergency funds for the President to finance a project for which a budget estimate was submitted during the 78. and 79th Congresses and such project was denied appropriations by the House and Senate Appropriations Committees, and use of the funds appropriated by this act to pay the salary of any employee fixing maximum prices for different kinds, etc., of a commodity which are described in specifications unless such specifications, prior to such order, are in general use. The bill amends and procurement-accounting procedure for the reimbursement of the general supply fund in connection with transactions between the Procurement Division and field offices of other Government agencies, and directs the Budget Bureau to make a continuous study of appropriations for war activities with a view toward making recommendations for repeal of such appropriations when no longer required.
- ITEMS IN APPENDIX
16. MEAT INSPECTION; SALARIES. Extension of remarks of Rep. Hope, Kans., favoring reclassification of veterinarians' and meat inspectors' salaries (pp. A3300, A3319).
17. PRICE CONTROL; RATIONING. Sen. Walsh, N. J., and Rep. Myers, Pa., inserted newspaper editorials favoring continuation of the Price-Control Act without any "weakening" amendments (pp. A3303, A3305).
Rep. Kean, N.J., inserted a New York Times editorial criticizing the Dirksen amendment to the price-control bill which would "open the way to the destruction of price control by substituting many courts for the single tribunal--the Emergency Court of Appeals" (p. A3319).
18. CORN USES. Rep. Cochran, Mo., inserted WFA statement relating to the use of corn for industry which states that "corn goes into the production of nearly every war weapon" (pp. A3310-1).
19. VETERANS; FARM LOANS. Rep. Carlson, Kans., inserted V.F.W. National Service Bureau's analysis of benefits provided to veterans under the Servicemen's Readjustment Act of 1944, S. 1767 (pp. A3312-3).
20. A.A.A. Extension of remarks of Rep. Jeffrey, Ohio, including excerpts from constituents' letters complaining about certain AAA practices with respect to gasoline and farm machinery priorities and farm labor deferments (p. A3320).

21. FORESTRY. Rep. Cochran, Mo., inserted a New York Times editorial opposing the abolishment of Jackson Hole National Munument (pp. A3322-3).
22. ADJOURNMENT. Extension of remarks of Rep. Murray, Tenn., including a Memphis Commercial Appeal editorial, opposing an extended congressional recess this summer in view of "urgent" legislation yet to be considered (p. A3323).

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ITEMS IN FEDERAL REGISTER June 16, 1944

23. EXPORTS. FEA's amendment to regulations on prohibited exports (pp. 6621-2).
24. PRICE CONTROL. OPA's orders on bagasse, glass containers, lumber, paper, pine tar and pine tar oil, rubber, turpentine, furniture, woodpulp, and corn.
25. RATIONING. OPA's orders on transactions by the Defense Supplies Corporation, food for institutional users, gasoline, processed foods, tires, replacement of rationed foods, and shoes.
26. PRIORITIES. WPB's orders on car materials, chemicals, pulp and paper, reprints, water meters, and operation of priority regulations.

Mr. Speaker, I submit the point of order that the language of the proviso which is offered in the motion of the gentleman from Ohio [Mr. JONES] is not germane to the provision made in the Senate amendment under consideration; further, that the language of this proviso is legislative in character and is out of order in the consideration of an appropriation bill.

It proposes to make limitations upon the expenditures of funds not carried in this particular item of appropriation but upon funds appropriated to any other bureau, agency, or independent establishment of the Federal Government whether funds therefor are carried in the pending bill or not.

I therefore insist that it is not germane to the Senate amendment and further that it is legislative in character.

The SPEAKER. Does the gentleman from Ohio [Mr. JONES] desire to be heard?

Mr. JONES. Mr. Speaker, I think the amendment is a limitation upon this provision in the Senate amendment and a limitation upon an appropriation bill. It limits the scope of what it may be used for and limits who may use the information.

The Senate amendment is broad and comprehensive in the subject matter it covers. It is comprehensive in the compilation and in the publishing of census and agricultural information from farmers and from agricultural industries. The sky is the limit as far as information is concerned that the Census Bureau will collect from the agricultural industries and from the farmers.

This limitation that my motion will put upon the Senate amendment merely limits the amount and how these bureaus and agencies are to use it and I think, therefore, it is germane to the Senate amendment.

Mr. TABER. Mr. Speaker, may I be heard?

The SPEAKER. The Chair will hear the gentleman.

Mr. TABER. Mr. Speaker, it seems to me that the amendment is clearly germane in that in providing for a census of agriculture it is clearly in order to provide by amendment that no other census of agriculture or the gathering of information of that same type shall be permitted in any other place. It seems to me that when we are providing for that it is clearly germane that we should do that and on that basis it would seem to me that the amendment is clearly in order.

The SPEAKER. The Chair is prepared to rule.

The Senate amendment provides for a specific amount of money for a specific purpose. The motion offered by the gentleman from Ohio [Mr. JONES] is clearly not a limitation on the expenditure of money or on the action of the Department in taking a census; therefore, the Chair sustains the point of order in that the motion is not germane.

The question is on the motion offered by the gentleman from North Carolina [Mr. KERR] that the House concur in the Senate amendment.

The question was taken; and on a division (demanded by Mr. KERR) there were—ayes 43, noes 61.

Mr. KERR. Mr. Speaker, I object to the vote on the ground a quorum is not present.

The SPEAKER. Obviously a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify the absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 150, nays 185, not voting 95, as follows:

[Roll No. 94]

YEAS—150

Abernethy	Gossett	Norton
Allen, La.	Grant, Ala.	O'Brien, Ill.
Anderson,	Gregory	O'Brien, Mich.
N. Mex.	Hare	O'Neal
Andrews, Ala.	Harris, Ark.	O'Toole
Baldwin, Md.	Harris, Va.	Outland
Barden	Hart	Pace
Barry	Hays	Patton
Bates, Ky.	Hébert	Peterson, Fla.
Beckworth	Hendricks	Poage
Bland	Hobbs	Priest
Bonner	Hoch	Ramspeck
Boykin	Holifield	Rankin
Bradley, Pa.	Lzac	Rivers
Brooks	Jackson	Robertson
Brown, Ga.	Jarman	Robinson, Utah
Bryson	Johnson,	Rooney
Bulwinkle	Luther A.	Rowan
Burch, Va.	Johnson,	Russell
Burchill, N. Y.	Lyndon B.	Sadowski
Burgin	Johnson, Okla.	Sasser
Byrne	Kee	Satterfield
Camp	Kefauver	Scanlon
Cannon, Mo.	Kelley	Sheridan
Chapman	Kerr	Sikes
Clark	Kilday	Slaughter
Cohee	King	Smith, W. Va.
Colmer	Kirwan	Snyder
Cooley	Lane	Somers, N. Y.
Cooper	Lanham	Sparkman
Courtney	Larcade	Spence
Cravens	Lesinski	Starnes, Ala.
Crosser	Lynch	Stigler
D'Alesandro	McCormack	Tarver
Davis	McKenzie	Thomas, Tex.
Dawson	McMillan	Thomason
Dilweg	McMurray	Tolan
Dingell	Mahon	Vincent, Ky.
Doughton	Maloney	Vinson, Ga.
Durham	Manasco	Voorhis, Calif.
Eberhart	Mansfield,	Walter
Feighan	Mont.	Ward
Fernandez	May	Weaver
Fisher	Merritt	Weiss
Flannagan	Monroney	Wene
Folger	Morrison, La.	Whittington
Forand	Mundt	Wickersham
Fulmer	Murphy	Winstead
Gathings	Murray, Tenn.	Worley
Gordon	Myers	Zimmerman
Gore	Newsome	
Gorski	Norrell	

NAYS—185

Allen, Ill.	Carrier	Fenton
Andersen,	Carson, Ohio	Fish
H. Carl	Chenoweth	Gale
Anderson, Calif.	Chipperfield	Gamble
Andresen,	Church	Gavin
August H.	Clason	Gearhart
Angell	Clevenger	Gerlach
Arends	Cochran	Gilchrist
Auchincloss	Cole, Mo.	Gillespie
Baldwin, N. Y.	Cole, N. Y.	Gillette
Barrett	Compton	Gillie
Bates, Mass.	Costello	Goodwin
Beall	Crawford	Graham
Bender	Cunningham	Grant, Ind.
Bennett, Mich.	Curtis	Griffiths
Bennett, Mo.	Day	Gross
Bishop	Dondero	Gwynne
Bolton	Dworshak	Hall,
Brehm	Eaton	Edwin Arthur
Brown, Ohio	Elliott	Halleck
Buck	Ellison, Md.	Hancock
Buffett	Ellsworth	Heidinger
Busbey	Elmer	Herter
Butler	Elston, Ohio	Hess
Canfield	Engel, Mich.	Hill
Carlson, Kan.	Engle, Calif.	Hinshaw

Hoeven	McGregor	Rowe
Hoffman	McLean	Sauthoff
Holmes, Mass.	McWilliams	Schiffner
Holmes, Wash.	Maas	Schwabe
Hope	Martin, Iowa	Scrivner
Horan	Martin, Mass.	Short
Howell	Mason	Simpson, Ill.
Hull	Michener	Simpson, Pa.
Jeffrey	Miller, Conn.	Smith, Maine
Jenkins	Miller, Mo.	Smith, Va.
Jennings	Miller, Nebr.	Smith, Wis.
Jensen	Miller, Pa.	Springer
Johnson,	Monkiewicz	Stanley
Anton J.	Molt	Stefan
Johnson,	Mruk	Stevenson
Calvin D.	Murray, Wis.	Stockman
Johnson, Ind.	Norman	Sumner, Ill.
Johnson,	O'Brien, N. Y.	Summers, Tex.
J. Leroy	O'Kara	Sundstrom
Johnson, Ward	O'Konski	Taber
Jones	Pittenger	Talbot
Jonkman	Ploeser	Talle
Judd	Poulson	Tibbott
Kean	Pracht,	Towe
Kearney	C. Frederick	Troutman
Keefe	Pratt,	Vorsys, Ohio
Kilburn	Joseph M.	Vursell
Kinzer	Ramey	Wasielewski
Knutsen	Reece, Tenn.	Weichel, Ohio
Kunkel	Reed, Ill.	Weich
LaFollette	Reed, N. Y.	Wigglesworth
Landis	Rees, Kans.	Willey
Lea	Rizley	Wilson
LeCompte	Robison, Ky.	Winter
LeFevre	Rockwell	Wolcott
Luce	Rodgers, Pa.	Wolfenden, Pa.
Ludlow	Rogers, Mass.	Wolverton, N. J.
McConnell	Roebough	
McCowan	Rolph	

NOT VOTING—95

Andrews, N. Y.	Fuller	O'Connor
Arno'd	Furlong	Patman
Bell	Gallagher	Peterson, Ga.
Blackney	Gibson	Pfeifer
Bloom	Gifford	Phillbin
Boren	Granger	Phillips
Bradley, Mich.	Green	Plum'ey
Brumbaugh	Hagen	Powers
Buckley	Hale	Price
Burdick	Hall,	Rabaut
Cannon, Fla.	Leonard W.	Randolph
Capozzoli	Harless, Ariz.	Richards
Carter	Harness, Ind.	Sabath
Case	Hartley	Scott
Celler	Heffernan	Shafer
Cox	Kennedy	Sheppard
Curler	Keogh	Smith, Ohio
Deaney	Kleberg	Stearns, N. H.
Dewey	Klein	Stewart
Dickstein	Lambertson	Sullivan
Dies	Lemke	Taylor
Dirksen	Lewis	Thomas, N. J.
Disney	McCord	Torrens
Douglas	McGehee	Treadway
Drewry	Madden	Wadsworth
Ellis	Magnuson	West
Fay	Mansfield, Tex.	Wheelchel, Ga.
Fellows	Marcantonio	White
Fitzpatrick	Morrow	Whitten
Fogarty	Mills	Woodruff, Mich.
Ford	Morrison, N. C.	Woodrum, Va.
Fulbright	Murdock	Wright

So the motion was rejected.

The Clerk announced the following pairs:

General pairs:

Mr. Randolph with Mr. Wadsworth.
 Mr. Keogh with Mr. Gifford.
 Mr. Mansfield of Texas with Mr. Powers.
 Mr. Heffernan with Mr. Arnold.
 Mr. Harless of Arizona with Mr. Smith of Ohio.
 Mr. Bloom with Mr. Taylor.
 Mr. Whitten with Mr. Scott.
 Mr. Torrens with Mr. Hale.
 Mr. Fulbright with Mr. Bradley of Michigan.
 Mr. Celler with Mr. Fuller.
 Mr. Fogarty with Mr. Brumbaugh.
 Mr. Kennedy with Mr. Woodruff of Michigan.
 Mr. Mills with Mr. Leonard W. Hall.
 Mr. Delaney with Mr. Shafer.
 Mr. Klein with Mr. Hagen.
 Mr. Dickstein with Mr. Douglas.
 Mr. McCord with Mr. Morrow.

Mr. Buckley with Mr. Dirksen.
 Mr. Madden with Mr. Gallagher.
 Mr. Capozzoli with Mr. Blackney.
 Mr. Rabaut with Mr. Harness of Indiana.
 Mr. Fay with Mr. Plumley.
 Mr. Peterson of Georgia with Mr. Tread-

way.

Mr. Fitzpatrick with Mr. Hartley.
 Mr. Ford with Mr. Ellis.
 Mr. Philbin with Mr. Phillips.
 Mr. Curley with Mr. Thomas of New Jersey.
 Mr. Drewry with Mr. Lemke.
 Mr. Wright with Mr. Stearns of New Hamp-

shire.

Mr. Disney with Mr. Burdick.
 Mr. Bell with Mr. Carter.
 Mr. Magnuson with Mr. Marcantonio.
 Mr. Pfeifer with Mr. Lewis.
 Mr. Cox with Mr. Andrews of New York.
 Mr. Sheppard with Mr. Case.
 Mr. Patman with Mr. Lambertson.
 Mr. Sabath with Mr. Fellows.
 Mr. Gibson with Mr. Dewey.

The result of the vote was announced as above recorded.

The doors were opened.

Mr. KERR. Mr. Speaker, I move that the House insist on its disagreement to the Senate amendment.

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the several motions was laid on the table.

EXTENSION OF REMARKS

Mr. KEEFE. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the Appendix of the RECORD and to include therein a newspaper article.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. CARLSON of Kansas. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the Appendix of the RECORD and to include an analysis of the G. I. bill by the Veterans of Foreign Wars.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. HOPE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

(By unanimous consent, Mr. MILLER of Connecticut received permission to revise and extend his own remarks.)

Mr. KILBURN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a resolution.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

CONTRACT SETTLEMENT ACT OF 1944

Mr. SUMNERS of Texas. Mr. Speaker, I move that the House resolve itself

into the Committee of the Whole House on the state of the Union for the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, with Mr. HART in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. The gentleman from Texas [Mr. SUMNERS] is recognized for 2 hours; the gentleman from New York [Mr. HANCOCK] is recognized for 2 hours.

[Mr. MAY addressed the Committee. His remarks will appear hereafter in the Appendix.]

[Mr. SUMNERS of Texas addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. WALTER. Mr. Chairman, the distinguished chairman of the Committee on Military Affairs a moment ago stated that the legislation under consideration has been considered by his committee for a period of about 18 months. I believe this is correct. In addition to the consideration given this problem by the Committee on Military Affairs, the Committee on Naval Affairs also considered the problem, each committee, however, considering it as related to the agency that it was charged with legislating for. The Military Affairs Committee of the Senate, the special George committee of the Senate, the Post-war Planning Committee of the House, the Committee on the Judiciary of the House all considered this problem. The consideration given to the problem by all of the committees except the Committee on Naval Affairs and the Committee on Military Affairs, however, was as to the whole general problem.

At the very first session of the Post-war Planning Committee the distinguished gentleman from New York [Mr. FISH] said we should take up first things first. With that in mind the committee explored the whole problem of unwinding our economy and concluded that the first thing to consider was this question of contract termination.

It would be very difficult for me to explain to you how large this problem really is. Suffice to say, two-thirds of the people engaged in manufacture are now engaged in the war effort. Practically every manufacturer is engaged to some extent in producing those things that are necessary in the war effort. I believe the problem of terminating the contracts entered into by our Government with those people who provide jobs is the most important problem with which we are confronted today. The war is going to end quickly, we hope; no one knows when it will end. It is safe, however, to say that the war in Europe will end before the war in the Pacific, and we all

hope that the end of both wars will come very quickly. But what are we going to do when contracts are terminated suddenly? I subscribe to the old-fashioned idea that if there is to be employment for employables there must be employers.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. WALTER. I yield.

Mr. BULWINKLE. I wish to ask the distinguished author of the bill a few questions.

Am I correct in my understanding that this bill provides exactly the same treatment for cost-plus-fixed-fee contracts that it does for fixed-price contracts?

Mr. WALTER. Yes; the gentleman is correct in that understanding.

Mr. BULWINKLE. Then once a settlement has been reached under the bill, the General Accounting Office would have no further function to perform except, first, to determine that the payments called for by the settlement were properly made; and, second, to investigate for fraud.

Mr. WALTER. That is substantially correct.

Mr. BULWINKLE. And the third question: There would be no further audit of the contractor's costs?

Mr. WALTER. Of course not, because it is essential that the settlement be final so that the employer knows exactly where he stands when he starts making his plans for the post-war period.

Mr. ANDERSON of California. Mr. Chairman, will the gentleman yield for a brief statement?

Mr. WALTER. Yes; for a very brief statement.

Mr. ANDERSON of California. The House Committee on Naval Affairs in the consideration of this important subject of contract terminations was guided largely by the excellent report of the Baruch committee. Can the gentleman tell the House whether or not that same guide was used by the House Committee on the Judiciary in reporting this bill?

Mr. WALTER. Yes; of course it was. Both the Senate committee and the Senate itself, if you please, enacted this bill by unanimous consent and followed the Baruch-Hancock report; and I may add in that connection that the House committee had the advantage of listening to the testimony of both these very distinguished gentlemen. They explained in great detail how they arrived at the conclusions they reached in this magnificent report.

Mr. ANDREWS of New York. Mr. Chairman, will the gentleman yield?

Mr. WALTER. I yield.

Mr. ANDREWS of New York. With reference to the remarks of the gentleman from California, the statement should also be made in this connection that 13 members of the Committee on Military Affairs in a statement of minority views on a similar bill from the Committee on Military Affairs were in general accord with the provisions of the Baruch report.

Mr. WALTER. I thank the gentleman.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. WALTER. I yield.

Mr. MAY. Will the gentleman from Pennsylvania request the gentleman from New York to state how many of those who signed the minority report were out of town when it was signed?

Mr. WALTER. I do not yield for that purpose.

Mr. ANDREWS of New York. Mr. Chairman, will the gentleman yield?

Mr. WALTER. I cannot yield further.

Mr. ANDREWS of New York. All 13 were here when they signed.

Mr. WALTER. I do not think it is fair to place the Committee on the Judiciary in a position where it must determine which half of the Military Affairs Committee was correct in its conclusions.

Mr. Chairman, in considering this legislation it is important to bear in mind the fact that if we have no legislation at all there will be cases where the Government is going to be responsible to the contractors for that percentage of the work performed up to the time of the termination. As authority for this statement I call attention to the decision of the Supreme Court in the case of *United States v. Corliss Steam Engine Co.* (91 U. S. 321), a case decided in 1875.

In that case the Secretary of the Navy terminated a contract before its completion. Settlement was made by the Secretary of the Navy and thereafter it was questioned. The Supreme Court held that if the Secretary had the authority to enter into that contract he had the authority to terminate it and make settlement on such terms as were just, equitable, and reasonable.

Mr. Chairman, that is the law today, because that decision has been uniformly followed by the Supreme Court in cases arising on the same question.

Mr. VORYS of Ohio. Will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Ohio.

Mr. VORYS of Ohio. I wonder whether in the present prime contracts there are not provisions for termination which would be binding upon both parties in the absence of special legislation?

Mr. WALTER. Of course there are, but you must bear in mind that the real difficulty is to arrive at the amount to be paid without undue delay or waste of effort by the contractor or the Government. If you attempt to determine these costs and expenses exactly down to the last penny, you will require very extensive cost analysis, accounting, and auditing. Cost accounting is by no means an exact science; it involves judgment and assumptions which are a fruitful source of disputes and disagreements. Many contractors, especially the smaller ones, simply do not keep detailed cost accounting records and will not be able to submit claims on such a basis. Besides, many of the questions in these settlements depend on sound business judgment rather than accounting. For example, the allocation of inventories and settlements with subcontractors are not essentially accounting questions. Primary reliance on accounting and au-

diting in settling these claims would consume an excessive amount of time, effort, and expense and would create disastrous delays in completing the job.

In order to avoid this delay and its serious economic consequences, it is clear that the overwhelming bulk of settlements must be made by negotiated agreement. This means that termination claims will be settled by business negotiations conducted on the same basis as ordinary commercial transactions. Auditing and accounting will still be used, but they will be aids to sound business judgment. That is how the contracts were made in the first instance, and that is the sensible way to settle them promptly. The contracting agencies are best qualified to make such settlements. Having executed and administered the original contracts, they are familiar with conditions of their performance. To settle these claims, expeditiously, requires the services of negotiators with business experience, engineers, production specialists, property experts, auditors, and lawyers acquainted with the problems involved and working together as a team. The contracting agencies already have qualified men of these types on their staffs who are negotiating settlements of terminated contracts right now.

These negotiated settlements must be final and not subject to reopening by any other agency except for fraud. If the contracting agencies were not authorized to make final agreements for the Government, they would obviously not be able to negotiate settlements with contractors. Otherwise, they would be asking the contractor to make concessions binding on him while the Government retained the right to withdraw its concessions and agreements. Satisfactory negotiations could not be conducted on that basis.

To take care of cases where the agency and the contractor cannot agree, the bill provides for a system of appeals to local appeals boards and to the courts. This will protect contractors against arbitrary action by any agency in determining the amount due. Finally, the bill authorizes the making of advance and partial payments and loans to contractors and subcontractors to provide them with temporary financing pending the settlement of their claims.

This plan for settling terminated contracts is the keystone of the bill as passed by the Senate. Your committee is convinced that it provides the only method which will permit the job to be done expeditiously and fairly. The provisions of the substitute amendment submitted by your committee conform to this basic plan for settlements contained in the Senate bill.

The committee substitute, however, writes into the bill certain cost principles which are not in the Senate bill. This provision enumerates certain items of costs which are to be allowed or disallowed to the contractor when the contracting agency determines the amount due him without agreement. In addition, the director is to require the contracting agencies to take these cost factors into account in establishing methods and

standards for settlements by agreement, to the extent he deems this practicable without impeding expeditious settlements. In this way, your committee has sought to specify cost standards as far as that is feasible without interfering with prompt settlements. Certain members of the committee and the executive agencies objected to this provision for fear that it might impede the negotiated settlement. In proposing this provision, your committee does not intend it to have that effect, and would consider the adoption of such a provision most unwise if it were convinced that the provision would interfere with speedy settlements.

We believe that the bill will facilitate the making of fair and expeditious settlements and the prompt reconversion of industry to peacetime production after the war. That is its first objective.

Mr. Chairman, we entrusted the contracting agencies of the Government to enter into contracts totaling in excess of \$20,000,000,000. Nobody insisted that the General Accounting Office participate in the letting of those contracts; nobody insisted, certainly not on the floor of this House, that those officers were not to be trusted, and I say that it comes with bad grace at this time after most of the money has been spent for us to say that we cannot trust those same men, those civilian employees, those officers in the Army and Navy, who worked so hard and performed such a magnificent service in the procurement of our munitions, to settle this final part of the contract.

Nobody knows what the area of negotiation is going to be. The best evidence that the Post-war Planning Committee had on that subject was that the debatable items would be in the neighborhood of \$2,000,000,000. Let us assume that there will be fraud, let us assume that there will be some waste, I agree entirely with what Eric Johnston said when he testified before the committee. He testified it would be worth it in order to prevent the kind of panic that will necessarily follow unless we reconvert our economy promptly.

Your committee was fully convinced that it would unduly delay settlements and industrial reconversion to seek to provide such protection by requiring the audit of all claims before payment or by giving another agency authority to reopen settlements after they were made, except for fraud. At the same time, the committee is keenly alive to the necessity of providing adequate safeguards against fraud and waste of Government funds. Accordingly, it considered and included in the bill every feasible method to provide effective precautions against such abuses.

The bill contains stringent penalties against fraud. Whenever the General Accounting Office, the Director, or any agency believes that any settlement is tainted with fraud, the facts must be reported to the Department of Justice for complete investigation. Until that Department finds that no fraud exists, all payments affected by the suspected fraud must be suspended or withheld. Any fraudulent practices are subject to crim-

inal penalties of up to \$10,000 in fines or up to 10 years in prison. In addition, heavy civil penalties are imposed for fraud or attempted fraud.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. WALTER. Mr. Chairman, there is very little in controversy in this bill. We tried to put in legislation the regulations now in effect in the termination of these contracts. The only thing in controversy is participation of the Comptroller General and about that more will be said later.

We start with a statement of the objectives of the bill, and we provide for surveillance by the Congress through the filing of quarterly and interim reports. There are definitions that are as clear as it is possible to make definitions. Then we provide for an Office of Director, feeling there must be authority centered in one place. I do not like to set up more bureaus any more than anybody else does, but certainly it seems to me that in this particular case where you create the Office of Director, who will have about 30 assistants, we are not in that case setting up the sort of bureaucracy that many of us are afraid of. He has supervisory powers over the contracting agencies with respect to termination, financing, and settlements. The Director's duty is to require efficient settlement methods designed to obtain prompt settlements and adequate protection of the Government's interest. He is given extensive powers to prevent fraud and waste. He must establish policies for such supervision and review within the agencies as he deems necessary to prevent and detect fraud. He will prescribe the records to be prepared by the agencies and by war contractors and the information to be submitted to him by the agencies on their operations. Finally, he must investigate the administration of the act either through existing agencies or a special unit in his own office. Thus the Director has full authority to make certain that the contracting agencies take all necessary measures to prevent waste or fraud.

There is an Advisory Board also created, which Board consists of all the contracting agencies, the Secretary of War, the Secretary of the Navy, Secretary of the Treasury, Chairman of the Maritime Commission, Administrator of the Foreign Economic Administration, Chairman, Board of Directors, Reconstruction Finance Corporation, Chairman of the War Production Board, Chairman, Board of Directors, Smaller War Plants Corporation, and the Attorney General. The Post-war Planning Committee of the House and Judiciary Committee of the House felt that the Comptroller General ought to be on that Advisory Board, but the Comptroller General took the position he did not want to be on the Board because, he said, he was so busy he could not properly do the work required of him if he were a member of that Board. We were persuaded that if he was too busy to properly function on this Advisory Board then perhaps he ought not to be on it.

Mr. ELSTON of Ohio. Will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Ohio.

Mr. ELSTON of Ohio. Was not his position that he did not care to serve on the Advisory Board because he had no authority?

Mr. WALTER. Well, he would have as much authority on the Advisory Board as these other people who are on the Board. It was thought that, perhaps, if he were on the Board, he could persuade other members of the Board that the policies that they intended to follow were not sound, that as a result of his experience in his position he could point out things that might be done to prevent widespread fraud, if there is widespread fraud, but I do not think there is going to be. Mr. Chairman, we should not approach this question on the theory that the American people are dishonest. We should approach it on the theory that the great majority of the people are honest, and in that connection let me say that we have made it pretty unhealthy for anybody to either cheat or attempt to cheat in the settlement of their claims against the Government.

Mr. J. LEROY JOHNSON. Will the gentleman yield?

Mr. WALTER. I yield to the gentleman from California.

Mr. J. LEROY JOHNSON. As a matter of fact, is not every single negotiated settlement that we make pursuant to that law audited by the particular agency involved? In other words, Army settlements are audited by the Army auditing set-up. So there is really an audit, and a Comptroller General's audit would be a duplicate audit.

Mr. WALTER. Of course, there is an examination which forms the basis for settlement. If you have two people performing the same job, then you are going to run into the question of policy, you are going to run into interminable debate that always ensues when two governmental agencies are interested in the same question.

Mr. MILLER of Connecticut. Will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Connecticut.

Mr. MILLER of Connecticut. Will this Advisory Board concern itself with anything other than finances? What I have in mind in this whole problem of reconversion is this: Let us take, for example, the aircraft industry. When they got into this war, they turned to the automotive industry. They went into high gear making airplane engines. I wonder if this Advisory Board would have the authority or would be able under this act to perhaps assist the aircraft industry, or at least to see that some arrangement can be worked out so that the automobile industry could keep some of their plants going making automobile parts or engine parts for a year or two after the war when there will be a tremendous demand for automobiles, trucks, tractors, and all the rest of it. Will that Board be able to go into that phase of it?

Mr. WALTER. I understand that already consideration is being given to that subject.

Mr. MILLER of Connecticut. That will be a big problem in different parts of the country where there are big aviation factories. In my district there is one factory employing 45,000 people at the present time which might not be able to employ more than 2,500 in the normal peacetime period.

Mr. WALTER. Of course they cannot. The gravest part of it all is that their capital is so tied up, with the unusual type of work they are now doing, that they could not stay in business longer than 5 weeks after the cessation of hostilities. If their claims are not promptly settled, and settled with such a degree of finality that any banking institution would be willing to make a loan on the basis of the settlement, how are they going to be able to again undertake their peacetime work?

Mr. MILLER of Connecticut. May I say that the particular concern referred to could not meet its pay roll 2 weeks with its total reserves today.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. HANCOCK].

Mr. HANCOCK. Mr. Chairman, the bill before us providing for the settlement of claims arising from terminated war contracts represents the conclusions of many prominent lawyers, accountants, and practical businessmen in civilian life, the Joint Contract Termination Board—consisting of representatives of the War and Navy Departments, the Maritime Commission, the R. F. C. subsidiaries, and the Foreign Economic Administration—as well as the conclusions of several Congressional committees which have studied post-war and related problems. I am not saying that these gentlemen are in complete agreement on every detail of this bill, but I believe it fairly represents the consensus of the best opinion of all. Considerable credit is due to subcommittee No. 3 of the Judiciary Committee, and its chairman, the able gentleman from Pennsylvania [Mr. WALTER] for reconciling differing views and drafting the bill in the form we are now considering.

And let me say that the country owes a great debt of gratitude to Mr. Bernard M. Baruch and Mr. John M. Hancock, the advisory unit for war and post-war adjustment policies in the Office of War Mobilization—two exceptionally able and successful men who for months have given their full time and their great abilities to the stupendous task of preparing plans for the orderly reconversion of our war economy to a peace economy and getting men back to work in normal business and enterprise.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Tennessee.

Mr. COOPER. I want to concur, Mr. Chairman, in the complimentary reference made by the distinguished gentleman to the chairman of the subcommittee of the Committee on the Judiciary, and to state that it is my honor to be a member of the Post-war Economic Policy and Planning Committee. The distinguished gentleman from Pennsylvania was chairman of a special subcommittee of our committee, and devoted long and tedious

study to this subject and made splendid contributions to it. The bill which is the basis of the measure here under consideration was unanimously approved by the Post-war Economic Policy and Planning Committee.

I wish to point out the further fact, in more definite response to the question asked by the gentleman from California, that the Baruch-Hancock report was taken by our Post-war Economic Policy and Planning Committee and studied carefully and diligently. Mr. Baruch appeared before us. Mr. Hancock appeared before us several times. It was pointed out, and will be remembered, that the Baruch-Hancock report recommends rather a series of bills to take care of this problem of converting from war to peace, and the outstanding and most important of all of those measures is the bill now under consideration. Your committee followed the recommendations and suggestions that they made.

Mr. HANCOCK. There are a great many post-war problems, and this solves only one of them. But it is very important. We of the Committee on the Judiciary know how arduously and how diligently the gentleman from Pennsylvania worked to reconcile divergent views, and to draft a bill on which we, in our committee, could all agree, and I think we are here unanimously in support of the bill as it is written, with minor amendments.

Mr. ANDERSON of California. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from California.

Mr. ANDERSON of California. As I understand, the bill that is now before the House does not contain any provision for the disposal of any surplus Government materials or surplus Government commodities, but deals strictly with the termination of war contracts.

Mr. HANCOCK. It deals with the disposition of termination inventories and not with what we know as surplus war supplies. That will come in another bill. There are recommendations in the Baruch-Hancock report on that very subject.

Mr. ANDERSON of California. That is just exactly what I was going to refer to. It will be taken care of in separate legislation.

Mr. HANCOCK. This bill is the first step to take care of post-war business problems, and I think the most important.

Mr. COOPER. Mr. Chairman, will the gentleman yield further?

Mr. HANCOCK. I yield to the gentleman from Tennessee.

Mr. COOPER. A special subcommittee of your Post-war Economic Policy and Planning Committee is now diligently working on that very subject of disposition of surpluses. The whole committee met with the Senate committee, and other chairmen today, and heard Mr. Clayton speak on that very subject of disposition of surplus properties. That is the next bill proposed to be considered under the Baruch-Hancock report.

Mr. HANCOCK. Then there are some post-war labor problems. That subject is also receiving a great deal of study and attention.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Michigan.

Mr. MICHENER. The Baruch-Hancock report can be divided into four segments, can it not, and this is one of the segments?

Mr. HANCOCK. This is one of the segments, and I think the one that requires immediate action.

Mr. MICHENER. That is it.

Mr. HANCOCK. One of the problems in preparing for peace—and it is only one—is the establishment of a fair and uniform procedure for terminating war contracts. That is an immediate problem. It is here now. We are told that 20,000 war contracts have already been canceled and we are optimistic enough to anticipate that many times that number can be terminated before the year is out. The report of the House Special Committee on Post-war Economic Policy and Planning informs us that the number of prime contracts is estimated at from 100,000 to 250,000 and that the number of subcontracts may run well over a million. Many of the contracts were hastily and loosely drawn. Some contain termination clauses and some do not. Prompt congressional action is needed to establish a uniform policy for settling termination claims.

The bill as passed by the Senate and as revised by the Committee on the Judiciary closely follows the pattern set forth and recommended in the Baruch report of February 15. It has two primary objectives: First, the expeditious and final settlement of claims; second, protection of the Government's interest against fraud.

There is no dispute between those interested in the subject as to the desirability of the two objectives but some gentlemen place more emphasis on one than the other. There are those who believe that the Government cannot be adequately protected unless the settlement of claims is placed under the jurisdiction of the Comptroller General with complete audit of accounts before final determination and payment. The impracticability of this course is apparent if prompt final settlements are to be made. According to the Baruch report, over \$50,000,000,000 of the current annual production represents strictly war goods. Their manufacture will almost entirely cease when peace comes, and we must return speedily to the production of civilian requirements or the consequences will be disastrous. To audit the claims arising from the termination of contracts representing such a tremendous volume of war business would require a vastly increased staff of trained personnel in the General Accounting Office, probably more than can be recruited, and it would take years to accomplish.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I do not yield to enter into a discussion. I will yield for a question and not an argument.

Mr. MAY. Does the gentleman know how much personnel the War Department has in training now for the purpose of terminating these contracts?

Mr. HANCOCK. No; I have no idea, but I know that the contracting agencies, all of them, have a substantial group of men who have been engaged in the business of making contracts, and they are better able to unmake them than any other group of people you can find. The Comptroller General would have to recruit an army of men to do all this auditing, and where he would find them, I do not know. I do not believe there are enough capable men to do a complete audit in the whole world.

Mr. ANDREWS of New York. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from New York.

Mr. ANDREWS of New York. On the problem of auditing, is it not a fact that probably three out of four of these contracts have been renegotiated to death and they have been audited to death? The very people who have done that know a good deal more about it than the people in the Comptroller General's office.

Mr. HANCOCK. The gentleman is correct.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Nebraska.

Mr. CURTIS. Is there anything in this bill that extends Government control of raw materials into the post-war period?

Mr. HANCOCK. Only that provision with reference to the disposition of what are known as termination inventories. I wish the gentleman would withhold these technical questions until the gentleman from Iowa takes the floor. He was the ranking man on the subcommittee which wrote this bill and is thoroughly familiar with it. He will explain it in detail, and is better qualified to answer these detail questions than I am.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Tennessee.

Mr. COOPER. I think the proper answer to the question of the gentleman from Nebraska is "No."

Mr. HANCOCK. As modified by that provision with reference to the disposition of what are known in the bill as termination inventories.

Mr. THOMASON. Mr. Chairman, will the gentleman yield for a question that is not technical?

Mr. HANCOCK. I yield to the gentleman from Texas.

Mr. THOMASON. Is there any reason why the Comptroller General could not secure the necessary help as well as the War Department? The reason I ask that question is that when we had under consideration yesterday the Military Establishment appropriation bill carrying forty-odd billions of dollars, I note, on page 569 of the printed hearings, where Under Secretary of War Patterson said that they were wanting 10,000 employees to be taken through one of their schools down at the War College. He also said they had secured 1,000 officers and enlisted men for this work. Inasmuch as the Comptroller General of the United States has a going concern of 12,000 employees, and we have authorized up to

15,000, can the gentleman tell me why 1,000 soldiers and 10,000 new employees should be taken on by the War Department to do this work, when there is already an agency specially provided for it?

Mr. HANCOCK. It is not proposed to audit all these claims except where necessary when there is evidence of fraud.

The Baruch report points out that speed in shifting productive capacity from war to peace is the most effective defense against the two greatest dangers of the post-war period—unemployment and inflation; that—

If the working capital of manufacturers remains frozen in unpaid Government work, they will lack the money to start up their businesses afresh; to buy new materials and new equipment, to pay their workers.

Business would be at a standstill; workers and returning servicemen would walk the streets, while the Government was figuring how to pay what it owed.

Our country's position today is such that if war terminated suddenly most of the factories in this country would be shut and there would be unemployment of the worst kind. Of course, the war will not end tomorrow, but "peace jitters" already are cutting into production. Removing all uncertainties as to the Government's policy on settling terminated contracts is needed for the immediate conduct of the war.

Any course, such as proposed recently by the Comptroller General, would quibble the Nation into a panic. The Comptroller's suggestion, as we understand it, was that he review every settlement before payment and that no payment be final until approved by him. Pending this audit, the Comptroller proposed that advances and loans be made; but the amounts would be entirely inadequate to keep business and jobs going. If such an audit before payment were decreed, no war contractor would know where he stood, prime contractors would be unable to pay subcontractors, banks would be reluctant to make adequate loans, billions in working capital would be frozen. The delays in settlement could force many concerns into bankruptcy. It would mean unemployment by audit.

Without in any way disparaging the value of the functions performed by the General Accounting Office or the high character and ability of the Comptroller General, I believe the arguments I have just read prove conclusively the inadvisability of placing the settlement of war contracts in his hands.

It will be the responsibility of the General Accounting Office under this bill to determine, after final settlement, whether payments have been made in accordance with the terms of settlement, to investigate settlements when there is evidence of fraud and to transmit his findings to the appropriate agencies so that they may take such action as the facts warrant to recover damages and punish offenders. He is also directed to make recommendations to Congress for amendments to the law if he finds it is not adequate to achieve the objectives of the bill or to protect the interest of the Government. Heavy penalties are prescribed for fraudulent practices and there are other safeguards.

Mr. ELSTON of Ohio. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Ohio.

Mr. ELSTON of Ohio. The gentleman indicated that if the General Accounting

Office were to review settlements the contractors would not get their money for a long period of time. Is the gentleman not aware of the fact that the bill reported by the House Committee on Military Affairs provided that the review must take place within a period of 6 months and that the contractors shall receive their money immediately?

Mr. HANCOCK. That would be a direction absolutely impossible of fulfillment, as all these advisers who are qualified to know what they are talking about tell us.

Mr. ELSTON of Ohio. If the General Accounting Office could not find the time within a period of 6 months to make a complete audit, how is it going to be possible for the War Department or the Navy Department to make a sufficient audit to make a settlement immediately?

Mr. HANCOCK. It is not intended that there be a complete audit. The intention and the hope is that we shall continue as we have been doing. Ninety percent or ninety-nine percent of these contracts will be settled by agreement. If there is any evidence of fraud, that will be reported to the Comptroller General, who will conduct an investigation and give his findings to the Attorney General and to the contracting agencies. There are very heavy penalties prescribed for fraud or for violation of the law.

The bill establishes the Office of Contract Settlement and a Director thereof whose duty it shall be to insure uniform and efficient contract settlement by general orders and regulations and by general supervision of the Government agencies entrusted with the authority to make settlements. This bill also creates an Advisory Board consisting of the heads of the various departments and agencies chiefly concerned with contract settlement, with whom he is directed to advise and consult.

The actual work of negotiating termination settlements will rest with the contracting agencies of the Government which made the contracts. The personnel of these agencies either participated in letting war contracts or in administering them. They are more familiar with the terms of these contracts and the business methods of the companies with whom they are made than any other group could hope to be and therefore better qualified to reach fair and expeditious settlements.

An effort may be made to amend this bill by placing war contract termination under the control of the Comptroller General. I hope any such effort will be defeated. It seems to me the program proposed in the bill is better designed to effectuate its purposes than any other that has been suggested.

Mr. HULL. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Wisconsin.

Mr. HULL. I am not very familiar with this bill, but I have read about the report of the Committee on Military Affairs with reference to a certain Colonel Wyman. I am wondering if this bill would protect the people, the taxpayers, especially, from having Colonel Wyman make any termination agreement or set-

tlement with that German gentleman who is mentioned in the report.

Mr. HANCOCK. After the exposé, I should hope not.

Mr. GRANT of Indiana. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Indiana.

Mr. GRANT of Indiana. I should like to get back for just a moment to this 6-month period within which the Comptroller General said he would be able to complete these audits.

Mr. HANCOCK. We know that is fiction. It is ridiculous on the face of it.

Mr. GRANT of Indiana. What is more, that time could not even begin to run until such time as the Comptroller General had before him a complete file such as satisfied his own desires in the matter, and months and months and months might elapse before he got all the material together, with six copies of everything that he might want, and all that would be before the 6-month period would begin to run.

Mr. HANCOCK. We know from our observation of the operations of the Accounting Office that they look for 10-cent and 5-cent items. It takes months to audit a small claim. Multiply that by a million claims. If you must withhold final settlement until there is a complete audit, this job will never be done and normal business will never be resumed.

It is the considered opinion of practically everybody that I know who has given this any thought, with the exception of some members of the Committee on Military Affairs, that this job can best be done by the contracting officers subject to the general direction of the Office of Contract Termination and subject to prosecution for fraud if the Comptroller General finds there is fraud.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield to the gentleman from Pennsylvania.

Mr. WALTER. May I call the attention of the gentleman to the fact that the General Accounting Office filed exceptions July 1, 1942, to March 31, 1944, with the Navy Bureau of Supplies and Accounts in 715 cases. Three in which there were adjustments in amounts under \$25; 1 between \$25 and \$50; and 4 over \$50, amounting to \$569.67.

Mr. HANCOCK. It would not pay for the time of the employees who did the job. Here is a classic example of how the Accounting Office works. In one case an agent of the Government had to make an inspection of an airport some place in the Middle West. He took a taxicab which cost, I think, \$2.50. The Comptroller General's office objected to it, because he could have taken the bus, and the bus fare was 50 cents. So the agent said, "All right; reduce that \$2.50 item to 50 cents. The Comptroller General said, "I cannot do that, because you did not ride on the bus."

Mr. THOMASON. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK. I yield.

Mr. THOMASON. I would like to cite a "classic" case or two. The gentleman from Wisconsin, I believe, just men-

tioned the famous Rohl case in Honolulu. Last October the Comptroller General of the United States brought to the Committee on Military Affairs 270 cases amounting to many millions of dollars. I have made an abstract of a few of them. The very first one of them which I now turn to, in which he made a recovery after auditing these contracts, was against the Baldwin Locomotive Works for \$574,629. I turn to another case against the Baldwin Locomotive Works where the Comptroller General recovered \$476,393 and another one against the Consolidated Vultee Aircraft Corporation for \$9,972,308. There are many cases like these I could cite you, but time does not permit now. If you will give some of the members of the Committee on Military Affairs the opportunity they will give you the style of these contracts, the numbers of them, and exactly what the Comptroller General of the United States did, and the vast sums he recovered and they will not be chicken feed or "classic cases." I make no charge that these contracts were tainted with fraud. The fact remains that but for the Comptroller General and his vigilance this money belonging to the taxpayers would not likely have been recovered.

Mr. HANCOCK. The fact remains, it takes a long time to audit a claim, large or small.

It is hoped and believed by the advocates of this measure that more than 90 percent of the war contracts will be canceled and finally settled by agreements between the Government contracting agencies and the private contractors. When an agreement cannot be reached, then the contracting agency shall make a determination of the amount due the contractor which shall be final and conclusive unless the contractor elects to appeal or bring suit as provided in the bill.

When a determination is made without agreement, it is the opinion of the majority of the Committee on the Judiciary that a formula for reaching a just settlement should be included in the bill. The House bill—section 6 (d)—is much more specific in this respect than the Senate bill and this is the principal difference between the two. The House bill sets forth in some detail the methods and standards to be followed in making allowances for the costs attributable to terminated contracts. The Director may make them applicable to settlements by agreement at his discretion and they are not made mandatory in settlements by determination. The committee was careful to provide that the enumerated items of cost should be considered rather than that they should be allowed and the subsection contains the following paragraph:

The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (d) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

It is not the purpose of the committee to hold the Government agents to a rigid

set of standards, but we have deemed it wise to establish certain flexible guideposts to clarify uncertainties and doubts in the minds of contracting agencies and contractors as to allowable and non-allowable cost items.

✓ The provisions of subsection (d) are practically identical with the termination clause recommended by the Baruch report for inclusion in war contracts now being made.

In this connection let me just quote briefly from the report of Messrs. Baruch and Hancock in recommending the termination clause in the contracts now being made:

The cost statement is based upon the recognition only of those costs that are properly allocable to the contract and only to the extent that they are quantitatively reasonable for the performance of the whole contract. In determining these costs recognized accounting practices are to be used. The cost statement goes further to clarify some of the uncertainties that have arisen in the minds of contractors as to which costs are properly allocable to the contract and which are definitely excluded.

In bringing the drafting of this termination article and cost statement to decision and conclusion our thinking has been that the interests of both contractors and the Government will be best served by a clear definition of their mutual rights and obligations and by preparing the ground for prompt settlement on the basis of those rights and obligations.

With that conclusion we agree, with the further observation that the standards set forth in the House bill will greatly aid the courts in rendering judgment on such claims arising from terminated war contracts as may reach them.

I expect an effort will be made to amend the bill by striking out subsection (d) of section 6. In my judgment, such a motion should be defeated.

As I look at it, those are the two principal matters in dispute which you will be called upon to decide. I hope very much we will not try to tear this bill to pieces and rewrite it on the floor of the House. We had a rather unpleasant and unsuccessful experience within the last 7 days in trying to do that with the O. P. A. bill.

In making these remarks, I have confined myself to the most controversial features of the bill. I will leave to others better qualified than myself the task of giving a detailed explanation of it. There are provisions for advance notice of cancellation, for interim financing, for removal and storage of termination inventories, in order to facilitate the resumption of peacetime manufacturing and minimize unemployment. This bill is the first step, and a long one, in a coordinated effort to anticipate and solve the problems which will confront us when the victory we pray for is won.

[Mr. MAY addressed the Committee. His remarks will appear hereafter in the Appendix.]

[Mr. ANDERSON of California addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. HANCOCK. Mr. Chairman, I yield 20 minutes to the gentleman from Iowa [Mr. GWYNNE].

Mr. GWYNNE. Mr. Chairman, in the First War Powers Act we gave certain contracting agencies broad powers to make contracts for the manufacture of war equipment. Under those powers those agencies went out and made over 100,000 prime contracts and subcontracts running into the millions. Practically every one of those contracts contained a provision that it could be canceled by the Government. Some had a very complicated provision. Later contracts, as I understand, contained what is known as the uniform termination article. In any event, however, whether any provision is made for termination or not, the courts have held that any contract of this character with the Government is subject to termination.

Due to the success of our arms the day is rapidly arriving when we will need to terminate contracts wholesale. The purpose of this bill is simply to set up machinery, and to lay out the general procedure for the termination and settlement of those contracts. All I wish to do is to make a brief outline of what is in this bill. In order to do that I would like not to follow the bill as it begins on page 53, but I would like to take a concrete case and follow it right through from beginning to end.

Suppose, for example, we have X corporation which has made a contract with the War Department for the manufacture of 1,000 tanks at \$10,000 each. General Marshall decides that when we have received 500 tanks that will be enough. Therefore he reports that to the War Department and they cancel or terminate the contract.

There was some objection about the manner in which the Brewster contract was canceled. We have tried to remedy that a little by calling upon the contracting agencies to give such advance notice as may be reasonable of the termination of these contracts. We do not, however, propose that the contractor shall continue making war equipment when it is no longer needed. What we do provide in the bill is that the contracting agency shall be diligent, shall look ahead and see what they need and what they do not need and then give such advance notice as they can and as will be reasonable. This notice, however, is to be given not by the Director of Contract Settlement but by the contracting agencies. They can terminate the contract in whole or in part or they can direct a suspension of operations for a certain period of time, paying whatever damages there is for that suspension. If they suspend the contract for more than 30 days the contractor may elect to consider it terminated and proceed accordingly.

The day this big contract is terminated there will be in the plant of the contractor, let us say, 25 completed tanks. Under the bill and under the contract all acceptable items will be taken by the Government and paid for under the contract. There would also be in the plant a great mass of material, a great mass of castings and parts in various stages of manufacture which the contractor had bought and partly machined to make the other 500 tanks. The problem is to

get that cut of the plant so he can go back to the manufacture of automobiles. The bill, in that connection, on page 78, provides that the contractor will furnish a termination inventory which will be a list of all these articles that he has accumulated which are allocable to the contract, that is, which were there for the purpose of being put into the tanks he did not build. He furnishes that list to the contracting agency. Within 60 days thereafter the agency must arrange either for storage of the material or remove the material. If the Government fails to do so the contractor may remove it, may store it at the risk of the Government after giving the Government due notice. That gets the material out of the plant. Now we come to the really serious problem of how we are going to settle with this contractor. Obviously if we had a contract for 1,000 tanks at \$10,000 apiece we could not settle for 500 tanks at \$10,000 apiece. There might be cases where the man is in a business, like that of making shoes, where that would be a fair way to settle his contract, but where he is making tanks he has, of course, expended a great deal in preliminary research and engineering intending to spread it over the entire contract. So we provide very elastic standards for the contracting agency to settle this contract.

A great deal has been said about auditing and about the Comptroller General. Mr. Chairman, this is in no sense an auditing problem. If you had all the auditors in America and could get them in the Comptroller's office you would not proceed very far under this bill in the settlement of this problem because it is not an auditing problem; it is, after all, a settlement problem. So these people representing the contracting agencies—and I might say they now have in these various agencies some 30,000 skilled people who have had experience in the making of contracts and who are now being trained to settle them.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield at that point?

Mr. GWYNNE. For a question as to that particular feature of the bill, that is all.

Mr. VORYS of Ohio. Yes. The gentleman has mentioned these 30,000 people being trained in these schools. I noted in the Baruch report that representatives of business are going to the same schools. I wonder if the gentleman will comment as to whether that is a wise thing, to have representatives of business and Government both trained in the same schools on this subject?

Mr. GWYNNE. As I understand what is being done is this: The Government now has 30,000 more or less trained personnel in the contracting agencies. They are engineers, business experts, accountants; they have helped make these contracts; they are the ones who will now settle them. Schooling will be given these 30,000 and others so they may go out in teams and settle these contracts.

How are we going to settle them? Here is about what we intend to do: Here is X Corporation whose contract has now been terminated. A team goes out from the War Department and sits

down with the owner and they settle their problem just like you settle a lawsuit. For example, here is a bunch of half-made castings; perhaps the Government wants part of them. All right, they settle that. Here is another bunch of castings. Maybe the contractor can use them; that is settled. Here is another bunch that somebody else can use and here will be a great pile of stock that was very valuable when it was needed as component parts of the tanks but now that the tanks are no longer needed are just so much junk. They must arrive at some cost or price to put on that. That is what it amounts to. It is not an auditing job; it is not an accounting job.

We have, however, provided certain standards or guide posts for the settlement of these contracts. You will find them beginning on page 62. In this respect the House bill differs from the Senate bill. What we have tried to do here, Mr. Chairman, is the same thing that a railway company tries to do when they have a crossing accident. In such a case the legal staff of the railway company will call together its experts, its adjusters, and send them to the scene of the accident. They would be guided by certain rules laid down by their employer and by certain laws; they would know what elements of damage were to be considered. They would know, if an automobile were destroyed, the reasonable market value of the automobile that could be recovered in court. If there were personal injuries, hospital bills, doctors' bills, and so forth, a reasonable amount could be allowed for these items. In that way the railway company figures up what the plaintiff is entitled to. The company may set a figure of \$10,000. The plaintiff does the same thing but arrives at a figure of \$15,000. Quite often, just as a business proposition they settle it for \$12,500. That is exactly what we hope will be done under this bill. We want to settle these contracts and get these plants back to civilian production. We want to see applied business principles of give and take and make settlements which will be fair to both Government and contractor.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. GWYNNE. On that particular point, that is all.

Mr. JENKINS. That is what I want to talk about. If the gentleman has stated accurately that this is not an auditing problem then, of course, we ought to proceed to pass this bill; but if it is an auditing problem then it is a different proposition. I should like to help the gentleman in his argument, if I may, by this suggestion.

Mr. GWYNNE. I regret, but my time is so limited I cannot yield further.

Mr. JENKINS. But just this point: The Government departments must conform to certain requirements in letting contracts, requirements which have been approved by the General Accounting Office. In the case of these contracts the General Accounting Office has not approved all of them.

Mr. GWYNNE. That is right.

Mr. JENKINS. That makes a difference; if that be so the General Account-

ing Office would not be called upon necessarily to audit them when they are terminated.

Mr. ELSTON of Ohio. Mr. Chairman, will the gentleman yield?

Mr. GWYNNE. I hope the gentleman will let me proceed. I want to get into a very important part of the bill.

Mr. ELSTON of Ohio. I do not have any time. This is the only way I can get time.

Mr. GWYNNE. We permit the payment of interest at 2½ percent beginning 30 days after the contract is terminated.

Many Members have asked about subcontractors and the effect the bill has on them. There are millions of subcontractors going down in tiers, sometimes as low as six or seven tiers.

After the last war we passed an act in which we provided, as I recall it, that no settlement would be made with a prime contractor until he had furnished a certificate showing that he had settled with all of the subcontractors or that the subcontractor was satisfied to look only to the prime contractor. We do not go that far in this bill because we are advised that that provision slowed up the proceedings after the last war.

In general, here is what we do for the subcontractors. You understand, there is no privity of contract between the Government and the subcontractor, therefore, fundamentally and normally the prime contractor will settle with the subcontractor in accordance with the terms of his contract. However, the bill provides that those settlements will be gone into only insofar as is necessary to protect the public interest. There might be cases where it would be a protection to the Government and everybody if the Government would settle directly with the subcontractors. If you gentlemen have had experience in building a house in States where they have very definite mechanics liens laws, you will know what I am talking about. So the bill provides that the contracting agencies may in those kind of cases, where the public interest will be protected, settle directly with the subcontractor and buy his claim against the contractor.

Mr. KEFAUVER. Will the gentleman yield?

Mr. GWYNNE. I yield to the gentleman from Tennessee.

Mr. KEFAUVER. The gentleman is very insistent on giving further protection to the subcontractor. Has not the gentleman stated a little incorrectly the present bill providing that the Government may settle directly? Is it not made mandatory when there is any question about the solvency of the contractor?

Mr. GWYNNE. I was coming to that. That is correct, thanks to the diligent efforts of the gentleman from Tennessee [Mr. KEFAUVER] when the subcommittee was exploring for additional ways to protect subcontractors.

In addition to the provision that the contracting agency may settle, there is an additional provision put in by the Judiciary Subcommittee that in cases where the contracting agency has reasonable ground to believe that the prime contractor is insolvent, it is made mandatory on the contracting agency to

supervise the payment so that the subcontractor will be protected in that instance. They will try to follow the payments down and take care of the subcontractor.

Mr. MAY. Will the gentleman yield?

Mr. GWYNNE. No; I cannot yield. I will be glad to yield when I get through with a discussion of the bill. I think a little explanation of this bill might be interesting.

The bill also provides for interim financing. It was realized by the committees writing this legislation that many of the contractors have a lot of money tied up in these contracts. So the bill provides if application is made to the Government, within 30 days, loans will be made or loans will be guaranteed. Loans will be made up to 100 percent for all completed, acceptable items, and up to 90 percent of the cost of what the contractor has in storage and the things that have been accumulated to go into that part of the contract not yet completed. The loan will be liquidated at the time of settlement. If the contractor is overpaid, or if he does not make provision for settlement, the overplus bears interest at the rate of 6 percent. The settlement thus made between the contracting agency and the contractor is final except in about three cases. First, where the parties agree otherwise. Second, in cases of renegotiation. You understand, all of this settlement is subject to be renegotiated. And, third, it is not final and conclusive if evidence of fraud is later discovered.

So far we have been talking about the case where there has been an agreement made between the contracting agency and the contractor.

If there is no agreement, what right then does the contractor have? In that situation, the bill provides that the contracting agency shall then give the contractor findings setting out the amount the agency claims to be due and setting out the basis of its decision. The contractor then may do one of three things. First, he may apply for arbitration. If the contracting agency agrees to it, the case is then arbitrated in accordance with the Federal arbitration laws, which you will find in title XII of the Code, which provides, putting it briefly, that the proper court, which in this case would be the Federal district court or the Court of Claims, will appoint one arbitrator who will have power to subpoena witnesses and to decide the case. That is one thing the contractor may do. Or he may appeal to a special court of appeals set up in this bill. This court of appeals will sit throughout the country and may sit in panels depending on the size of the case they have before it. They may decide the case on its merits. However, the contractor is not bound by the decision of that special court. He may appeal from their decision to either the Court of Claims or to the Federal district court. That is the second thing. First, there is arbitration; second, the special appeal court and the right to go therefrom to the regular courts, and, third, he may go directly to the courts. He may sue in the courts. If the amount involved is less than \$10,000 he may sue

in his own Federal district court and if the amount is over \$10,000 he may sue in the Court of Claims.

I want to touch one other thing and that has to do with the General Accounting Office. After that I shall be glad to yield for some of the questions that have been indicated.

What part does the Accounting Office play in this plan? No duties heretofore conferred upon this Office have been taken away from it. On the contrary, we add three very important duties. First, it is the duty of the Comptroller General to see that payment is made in accordance with the terms of the settlement. Second, he may observe and investigate these settlements as they are going through the mill, and if he thinks, for example, that the War Department has not adopted procedure that properly protects the country he may report that to the Congress.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SPRINGER. Mr. Chairman, I yield the distinguished gentleman from Iowa 5 additional minutes.

Mr. GWYNNE. Mr. Chairman, he may recommend other procedure which will protect the Government. The next thing and the most important is, if he believes that any settlement has been induced by fraud he shall report that fact to the Attorney General. The Attorney General is required to investigate and, in the meantime payment will be held up.

In this bill we have some very drastic penalties for fraud. Let me call your attention to them. In the first place, the running of the statute of limitations is suspended for 3 years after the war. That is, it ceases to run from the date the bill becomes effective until 3 years after the war; then it runs on until completion.

There are no penalties for innocent mistakes in this legislation. This bill is written in accordance with the old-fashioned criminal rules. We provide that any person who falsely, knowingly, and fraudulently makes a claim against the Government that he knows is fraudulent is subject to the following penalties, and here is what they are: First, he may be required to pay the United States 25 percent of the amount that he fraudulently sought. That is, in case he sought a certain amount and did not get it, he is required to pay 25 percent of that amount. Second, he is required to pay back any amount that he has fraudulently obtained. Third, he is required to pay \$2,000 for each act. That is to cover cases where there would be a small amount involved. Next, he is required to pay double the amount of damages incurred by the Government, and next he has to pay the costs. The provisions of section 80, of 18 United States Code, are made to apply, which provides, in substance, that if any person makes a false and fraudulent claim against the Government he may be fined up to \$10,000 or put in jail not to exceed 10 years.

Mr. Chairman, there are a lot of things about the bill I would like to mention, but I will yield at this time for questions.

Mr. ELSTON of Ohio. Mr. Chairman, will the gentleman yield?

Mr. GWYNNE. I yield to the gentleman from Ohio.

Mr. ELSTON of Ohio. The gentleman made the statement that under this bill no authority now vested in the Comptroller General has been taken away from him.

Mr. GWYNNE. That is my understanding; yes.

Mr. ELSTON of Ohio. Section 16 (a) very specifically provides that the Comptroller General's authority is confined to determining certain things after final settlement. At the present time the Comptroller General has more authority than that.

In section 18 (a) there is a provision that the Director has authority to indicate what records shall be transmitted to the General Accounting Office. Under that language he could transmit to the General Accounting Office just such records as he saw fit and deprive the Comptroller General of the authority he now has to examine any records of any department.

Mr. GWYNNE. Let me say in answer to that, that the general purpose of the Comptroller General has not been changed. His duty is to see that money is expended in accordance with the way under which it is appropriated. Here we are going about making business settlements; therefore it is not a function of the Comptroller General.

Mr. POULSON. Mr. Chairman, will the gentleman yield?

Mr. GWYNNE. I yield to the gentleman from California.

Mr. POULSON. Is it not true that the substance of this bill is that the settlements are made on the basis of opinion and not on actuarial or actual science, and the accounting profession does not attempt in any way to go into offering opinions? That is the fundamental principle of accounting.

Mr. GWYNNE. That is exactly right. What we need here are men of business judgment; not just auditing ability.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. GWYNNE. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. As to this Appeals Board, I see in the report on page 25 it says that the decision of the Board is final and conclusive and not subject to review.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I yield 8 minutes to the gentleman from Texas [Mr. THOMASON].

Mr. THOMASON. Mr. Chairman, except for bills providing the sinews of war, I undertake to say that this is the most important bill that will probably come up for consideration at this session. I regard the gentleman from Iowa who has just preceded me as one of the most able lawyers in this House. Since hearing him I can appreciate the technicalities and complexities in this proposed bill.

Many compliments have been passed around, in which I join, to our distinguished colleague from Pennsylvania

[Mr. WALTER] and my good friend the gentleman from Mississippi, the chairman of the Post-war Economic Policy and Planning Committee [Mr. COLMER]. But I would like to pay a compliment to the chairman of my committee, and especially the gentleman from Ohio [Mr. ELSTON], and the gentleman from North Carolina [Mr. DURHAM] who for more than a year have given careful study to this very legislation. I hope the gentleman from Ohio is going to have some time to discuss his views of the duties and powers of the Comptroller General of the United States.

When this legislation was first introduced, I decided that I would read some of the so-called Graham report, which was the report of a congressional committee set up following the last war. The scandals and the disgraceful contracts of that war were many. I then decided I would read some of the testimony in the famous Nye investigation of the munition makers and their contracts. We have spent many millions of dollars in this war, and I join with you in passing the best and soundest bill possible to avert any major scandals in this war.

I inquired about the legislative history of legislation that followed the so-called Graham report—and I invite you to read it, as I see some Members before me who were here then—and Congress, almost with one accord, rose up and said, "We need somebody to represent the taxpayers of the country." The result was that they passed the General Accounting Act, and they put a fine, able, courageous man in office. I believe his name was John R. McCarl. I hold no brief for the present Comptroller General. He has not discussed this bill with me, nor I with him. I am sure he has made no recommendations or urged any particular bill be passed to any Member of this body. Lindsay Warren needs no defense from any Member of this Congress, because his integrity and ability are beyond question.

The Comptroller General today has 12,000 employees, with an authorization and appropriation for 3,000 more. It is the only independent agency of the Government that reports direct to the Congress of the United States, and through the Congress of the United States to the taxpayers of the United States. I undertake to say now, and I will use my friend from Iowa [Mr. GWYNNE] as a witness, that this bill, if passed in its present form, will take from him many of the powers he now has. So far as war contracts are concerned he will become a mere figurehead. Some have criticized him because he does not want to sit on the proposed board. He is an independent agent of the Congress, and he has no business sitting on any board. No man ever served in this House who has a higher regard for his public duties than he.

I believe I asked my distinguished colleague from New York [Mr. HANCOCK] awhile ago if he had read the hearings on the military appropriation bill we passed yesterday, which provides employment for 10,000 additional persons in this work. We have had five training schools down at the War College. I do

not know how many majors or colonels they have, but as I understand it, all employees are in uniform. In addition to that, they took a thousand men in uniform out of the service. The General Accounting Office has been a going concern for 24 years. It was established to do this very kind of work. Now that they have highly important work to do it is proposed to just make them so much window dressing.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from Pennsylvania.

Mr. WALTER. If the Comptroller General is so busy now that he needs 3,000 additional men, how could that organization possibly undertake to do this job?

Mr. THOMASON. I will say that the Comptroller General is no busier or as busy, probably, as some of the high officials of the War Department, but when he came before our committee he said he could and would terminate contracts in 6 months. That is shown in the hearings of the Committee on Military Affairs and I do not believe he ever makes idle statements before committees.

I repeat that he has 12,000 men in his service now who have been trained in this particular work, and I cannot understand such solicitude for the contractors when Mr. Warren is our immediate representative and in a position to deal fairly with both the contractors and the taxpayers. There can be no collusion or favoritism with him.

Mr. ANDREWS of New York. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from New York.

Mr. ANDREWS of New York. How long does the gentleman suppose it will take Mr. Warren and his crowd to do this work?

Mr. THOMASON. He will do it just as quickly as anybody else. He said he could and would, and I believe him.

Some statement was made here about some chicken feed cases, or perhaps classic examples. If I had the time I would like to read you the record in at least a hundred cases where large sums of money have already been recovered by Mr. Warren. They are on file in the office of my colleague the gentleman from Kentucky [Mr. MAY]; 270 cases that had been picked out at random last October and left with the Committee on Military Affairs, amounting to many millions of dollars. Why throw the Comptroller General out of the window and set up another bureau when there has been so much complaint about new bureaus? We have heard much talk about bureaucracy. Here we have the Comptroller General with a functioning staff of 12,000 employees, and you propose to establish another bureau. The record would indicate that we now have in the War Department 11,000 men in uniform engaged in this very work. You propose by this legislation to appoint a new Director and set up a new bureau. You set up a director with \$12,000 salary, with all the help he wants.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. Did not the gentleman's committee do that also?

Mr. THOMASON. No; we did not set up a director. We said that the Comptroller General of the United States could set up courts within his Office to handle these cases and take care of the appeals. We gave him more authority, but we created no new offices.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from Pennsylvania.

Mr. WALTER. The gentleman has talked about these cases of fraud.

Mr. THOMASON. No, I never said they were frauds. I do not care what you call it. The Comptroller General recovered vast sums of money.

Mr. WALTER. Gross negligence, or mistakes, or whatever they are. The gentleman talks about these cases where the Government stood to lose a lot of money. I call the gentleman's attention to the fact that after those cases were selected the Under Secretary of War, than whom there is not a finer citizen in this land, requested permission to appear before the gentleman's committee to refute those charges, and was given that opportunity. On the 21st of October 1943, he pointed out that the facts disclosed that in 99.9 percent of the cases submitted to his Department—

Mr. THOMASON. I cannot yield any longer, because you cut us down so on time you would not even give my friend from Ohio [Mr. ELSTON] any time.

I join with my friend in saying that there is no finer or more honorable man or more able man in or out of the Government than the Under Secretary of War, Mr. Patterson. I count him one of my good friends. I would trust him about anything. Nevertheless, I say that is no justification for throwing out the Comptroller General of the United States, who is the immediate and direct representative of this Congress, and also a very able and honorable man.

Mr. MARTIN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield to the gentleman from Iowa.

Mr. MARTIN of Iowa. I tried to get the General Accounting Office to give us in the Committee on Military Affairs a list of the items that Lindsay Warren presented to us that the Accounting Office had dug up without military assistance. I have never yet got that list.

Mr. THOMASON. I do not know about that. Mr. Warren came before the committee and put 270—I quote from the record—memoranda of contracts on the chairman's table and said that he had picked them at random. They run into many millions of dollars. He recovered several millions. He will recover more if you will give him the authority.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I yield 15 minutes to the gentleman from Georgia [Mr. VINSON], chairman of the Committee on Naval Affairs.

(Mr. VINSON of Georgia asked and was given permission to revise and extend his remarks in the Record.)

Mr. VINSON of Georgia. Mr. Chairman, I am glad to have an opportunity to speak briefly in support of S. 1718.

The Naval Affairs Committee devoted almost 3 months to the study of the subject of contract termination. We held extensive hearings on all phases of the problem. As a result I introduced H. R. 4382 which related to the termination of the contracts of the Navy Department, and later introduced an improved version, namely, H. R. 4469. It finally became clear from the testimony that the contract termination problem of all the agencies of the Government should be covered by a single statute, and H. R. 4469 as reported out was a general bill with a scope similar to S. 1718. As the result of the study made by the Naval Affairs Committee and of the work done in preparing these bills, I think I have acquired sufficient background to justify me in making a few comments to the House.

In the first place let me say that I have no pride of authorship whatever and that my sole interest is in making sure that a sound and workable contract termination bill is enacted before Congress recesses. S. 1718 is such a bill. There is hardly a measure on our calendar which is more important. If, as we all pray, this country and our allies should gain an early victory in Europe, and if a contract termination bill has not been passed, when a flood of terminations are unloosed, Congress would have a very serious responsibility for the disaster which would result. I am not predicting that the European phase of the war will be over soon, but that is a possibility for which we must prepare.

I am not going to compare S. 1718 with my bill because my bill is not before you and I do not wish to discuss a matter of purely academic interest. Let me say only that I have studied the provisions of the pending measure very carefully and I consider it a very well-considered and excellently drafted bill. In several places I believe I see signs that the draftsmen incorporated various provisions from H. R. 4469, and the bill is all the better for that. As S. 1718 now stands, it grants to the executive agencies all the necessary powers to handle the problems of contract termination, and at the same time lays down congressional standards which will guide the administrators and give the public assurance that the standards of administration will not be subject to administrative whim but rest on the foundation of a solid congressional mandate.

There is only one respect in which I believe the bill is defective and feel compelled to offer an amendment. Unlike my bill, the pending measure contains no provision which would require administrative review of settlements involving large amounts. So far as the requirements of this bill are concerned, the individual contracting officers of the various agencies have unlimited discretion. Any one of them could commit the Government to pay a million dollars or, for that matter, a hundred million dollars

without anyone else in the Department checking on his judgment. I know that as a practical matter the Army and Navy will check and double check on all substantial payments before they are made. However, I do not believe that Congress will have fulfilled its duty if it does not insist as a statutory matter that settlements involving large amounts must be reviewed within the agency before the Government is committed.

In my bill (H. R. 4469) there is a provision that agreed settlements of fixed price supply contracts involving \$50,000 or more shall not be binding on the Government unless approved by a settlement review board established within the agency concerned, or if disapproved by the board, unless approved by the head of the cognizant bureau. If the settlement involves \$100,000 or more, under my bill it would not be binding unless approved by the head of the Bureau which made the contract, and if a million dollars was involved the settlement would have to have the personal approval of the Secretary of the Department. I am told that in the War Department, because of its highly decentralized procurement system, it is not feasible to require the approval of bureau chiefs or of the Secretary in the case of large settlements, and I am willing to eliminate these requirements. But reviews by special boards can be had in the field and reviews by such boards of settlements of substantial size I consider to be a minimum requirement. Accordingly, I am sending up to the desk an amendment which incorporates this proposal.

The procedure which would be required by this amendment is already in effect. Justice Byrnes on May 2 issued a directive which provides that no proposed settlement of a prime contract or a subcontract for an amount exceeding \$50,000 shall be binding on the Government unless the proposed settlement has been approved by a settlement review board, established within the agency, or if disapproved by such a board, until approved by the head of the procuring agency or such representative as he may designate for that purpose. However, I do not think that the question whether or not to prescribe such reviews should be left entirely within the discretion of the executive agencies. If it is sound to require that settlements be reviewed, that requirement should be stated in the statute.

With this one exception, I am wholeheartedly in favor of the bill. I cannot too strongly urge that the House pass the bill promptly, and above all that it be passed without amendments, which would defeat the entire purpose of the legislation. In particular, I want to impress upon the House the danger which would be involved in amending the bill to make any final settlement contingent upon the approval of the Comptroller General. In view of the vital importance of this issue and the fact that there is so much misunderstanding of what it involves, I should like to devote my remaining time to discussing the proper function of the Comptroller General in termination settlements.

This is a matter which was taken up at great length in the hearings before the Naval Affairs Committee. We heard the Comptroller General and the Assistant Comptroller General, and we got the viewpoint of the procuring agencies. We also heard the neutral viewpoint of the professional accountants through the testimony of the chairman of the contract termination committee of the American Institute of Accountants. As a result of these hearings I think we have a balanced picture of the situation, and there is no question in my mind that Congress would be making a terrible mistake if it gave the Comptroller General any more than a post-audit function in connection with contract settlements.

S. 1718 provides that the procuring agencies shall have authority to make final settlements, that those settlements shall not be subject to prior approval by the Comptroller General or subject to reopening by him, unless the settlement was induced by fraud. With the addition of a requirement for internal administrative review, along the lines I have just discussed, these provisions are sound. Indeed, if they are changed there is no point to passing this bill because it would not make possible fair and expeditious settlements.

There are two reasons why I am unalterably opposed to requiring the approval of the General Accounting Office before a settlement becomes final, or what amounts to the same thing, permitting the General Accounting Office to reopen settlements except, as I have said, where a settlement was induced by fraud. My first objection is that the result would be such delay in settlements as to invite a break-down of our settlement machinery with the danger of bringing on an economic crisis. My second objection is that requiring approval of the Comptroller General would result, in the long run, in a waste of public money. Yes; I believe that if the Comptroller General must approve settlements, or has the power to reopen them, the amounts paid would be larger than if the responsibility for making settlements is left with the procuring agencies. I believe I can demonstrate that is the way it would work out in practice.

First let me take up the question of the delays which would result if settlements were made or approved in the General Accounting Office. You have probably heard a lot of claims made as to the amount of time required by the General Accounting Office to pass on contract settlements. Here are some statistics on the actual facts of the case, which will throw some light on these claims. The testimony before the Naval Affairs Committee includes an analysis of all the exceptions received by the Navy Disbursing Office in Washington for the 15 months from July 1, 1942, through September 30, 1943. A total of 7,044 exceptions were received in this period. Some of the exceptions related to disbursements made in 1940, some to disbursements made in 1941, and the remainder to disbursements made in 1942. The average time required to take the exceptions on the 1940 disbursements was 22½ months—almost 2 years. The average

time required on the 1941 disbursements was 14 $\frac{3}{4}$ months, and on the 1942 disbursements, 12 $\frac{1}{2}$ months. The average time required on all 7,044 vouchers for all 3 years was over 14 months. Now, gentlemen, this was not the time that the General Accounting Office took to approve these disbursements. This was the time required to take exceptions to the disbursements. Many months more will be required to clear up these exceptions. Remember, in most of these cases the exceptions were simply on the ground that there was not sufficient data. In the light of these figures how can anyone claim that the General Accounting Office can be counted on to clear settlement agreements within any reasonable time?

The Comptroller General, in his testimony before the Naval Affairs Committee, claimed that he could review these agreements within 6 months, but the catch is that the 6-month period would begin to run only after he received what he considered to be an adequate supporting file. If, as I am certain would happen, his organization got bogged down, they would be compelled to do one of two things. Either they would rubber-stamp the claims, after months of delay, which would make the whole procedure a farce, or they would simply take wholesale exceptions to all the settlements on the ground that the supporting data was inadequate, and it is anybody's guess how many months or years would be required to clear up those exceptions.

Now let me discuss the question whether the Comptroller General would save the Treasury any money if he had the right to review settlements before they became final. Some Members of the House may have an exaggerated opinion as to the savings which have been accomplished by the Comptroller General's office in the past. Occasionally there has been some sensational newspaper publicity about a disallowance of a few hundred dollars for the purchase of a set of false teeth or some similar item, and only rarely does the matter-of-fact and sensible explanation catch up with the sensational charges which were broadcast. Some figures from the hearings before the Naval Affairs Committee will illuminate this subject for the Members of the House. No discussion of single items will be helpful in deciding this broad question. Instead let us take the over-all results of the work of the General Accounting Office.

There was presented to our committee an analysis of all the General Accounting Office's exceptions to the disbursements of the Navy Department which were received by that Department from July 1, 1942, through March 31, 1944, a total of 21 months. These figures were practically current as of the time the testimony was introduced. In that period the General Accounting Office took a total of 7,518 exceptions covering both fixed-price and cost-plus-a-fixed-fee contracts.

Of this total, 6,422 exceptions, or more than 85 percent, were purely technical. They related to such matters as missing cross-references, misplaced signatures, and so forth—Government red

tape, in other words. That left a total of 1,096 exceptions, or less than 15 percent, which related to adjustment of payments, that is, which involved the question of the number of dollars to be paid by the Government. The total of all these adjustments was less than \$150,000, or an average of less than \$150. In fact, almost two-thirds involved adjustments of less than \$25. Of the total adjustments of \$150,000, the testimony before our committee showed that the Navy's own control procedures would have revealed approximately half, so that the Comptroller General can claim credit for only \$75,000 of savings. Now we have to compare that with the amount of money paid out in the period in which these vouchers were issued. The vouchers covered the 21 months from April 1, 1941, to December 31, 1942. In that period the Navy issued 500,000 vouchers involving \$11,000,000,000. The recovery attributable to the General Accounting Office was therefore less than 1 cent for each \$1,800 paid out by the Navy Department. Does this testimony indicate that it would be profitable to risk a business depression and wholesale unemployment of labor by requiring a Comptroller General review of settlements before they are permitted to become final?

Perhaps some of you have the impression that the executive departments are not sufficiently scrutinizing the claims which they pay. Yet in the same period in which the General Accounting Office shaved \$75,000 from the Government's payments to contractors, the Navy Cost Inspection Service disallowed more than \$49,000,000 of contractors' costs, more than 600 times the recovery attributable to the General Accounting Office.

These facts may seem startling to some of you but they have not been controverted. On the basis of these facts we are entitled to believe that the procuring agencies would do a creditable job if we do not tie their hands, that a good deal of the criticism of their work has been based on a few exceptional cases which have been given wide publicity. I am satisfied that what is required in order to get further protection for the Government is to adopt my amendment which would require reviews within the departments for large settlements, rather than to make the actions of the procuring agencies subject to the approval of the General Accounting Office and thus lead to a division of responsibility and that inevitable "buck passing" which occurs when you divide up responsibility.

I said a moment ago that in my opinion if settlements could not be made final until approved by the Comptroller General, the settlements would cost the Government a great deal more money than if the procuring agencies are allowed to continue to make final settlements. Here is the reason. The procuring agencies are the only ones familiar with the operations which have taken place under a contract and are the only ones in position to drive a reasonably good bargain in settlement. If a contractor knows that the Department with which he is

dealing is in position to make a binding commitment, he will frequently be willing to make substantial concessions in order to wind up his claim, get his payment, and be able to turn his attention to the business of peacetime production. However, if he knows that the Department cannot make a firm commitment to him, he would be foolish to make his best offer to the Department. Instead, when he puts in a claim the sky will be the limit. With the responsibility divided between two agencies, and with the Department unable to make any firm counter offers, in many cases he would get what he has asked for. The statistics which I have cited demonstrate that you could not depend on the General Accounting Office to prevent excessive claims. The exceptions taken by that office are for the most part based on technical details, rather than on differences in business judgment which might result in substantial dollar savings. If the Departments refused to pay the claims on the ground that they were too high, the contractor would simply go to court. You would only add the cost of litigation to the amount which the Government owes and the delays would run into years and years ahead.

I shall not stress the effect of the delays in litigation on the economy of the country if a great many settlements were held up in this way. I think without laboring the point that the House will appreciate how ill we can afford to drive contractors to litigation solely because Congress has failed to grant the necessary authority to reach sound negotiated settlements.

The failure of Congress to give the Departments authority to make final settlements may be expensive to the Government in another way. If you divide responsibility, if you create a situation where whenever anything goes wrong the Departments would blame the Comptroller General, and the Comptroller General would blame the Departments, you must expect a lowering of morale and a failure on the part of the Government's representatives to bargain as vigorously as is necessary to protect the Governments' interest. In the long run the only way to protect the Government is by securing able people and establishing an effective administrative system. When you divide responsibility you make it more difficult to secure able people and you have an unsound administrative system.

I hope the Members of the House will not conclude from what I have said that I think the Comptroller General does not have a useful function with respect to termination settlements. On the contrary, there is a very important part of the job that he can do. The Naval Affairs Committee was very much impressed with the testimony given on behalf of the American Institute of Accountants, which is the national association of the professional certified public accountants in this country. The association took the position that a contract settlement should be audited in exactly the same way that the financial affairs of private business corporations were audited. The association was

strongly opposed, on principle, to giving accountants or auditors, whether for private business or for the Government, any administrative or managerial authority. They took the position that only delay, confusion, and harm would result if the auditors considered it their function to duplicate the work and attempt to challenge the business judgment of the administrative agencies, or the legal interpretations of their counsel, on every transaction. The true function of the auditor, they said, was to check up on procedures and to help set up a sound and workable system of financial controls. In other words, the auditors should not compete with the administrative agencies and duplicate their work but should help them to do a good job by suggesting improvements in operating procedures.

The witness for the association said that any certified public accountant would recoil at the thought of reviewing the administrative judgment of the organization he was supposed to audit, or of having a veto power on the exercise of discretion by the management, or of having the right to reopen transactions which had been settled by the management in the exercise of honest business judgment.

Now the question is asked, what good does it do to have an audit after the transaction is closed? We are told that this is like locking the barn after the horse is stolen. Yet that is exactly the kind of audit which private corporations find so helpful. In my opinion such comments show a lack of understanding of the purpose of an audit. The statistics I gave you showed that the system of reviewing the judgment of administrators by the General Accounting Office has put that Office many months behind in its work. In truth, the system now is one in which the Comptroller General does not find out what has happened until months or years after the transactions are over. I question whether the right of recourse against disbursing officers years after the event offers more than a theoretical remedy. On the other hand, by the universally accepted technique of professional public accountants, there is a continuing process of sample auditing of individual transactions in the field, there is a close scrutiny of settlement procedures and the settlement staff, there is a continuing and current appraisal of the over-all soundness and effectiveness of the financial controls of the organization, and there is continuing improvement in procedures and efficiency. That is the kind of contribution which has helped our industries to run their affairs so well, and that is the kind of contribution the Comptroller General should make in the handling of termination settlements.

Naturally, where fraud is found, the settlement should be opened up and the guilty parties severely punished. S. 1718 so provides. I would oppose, however, any broadening of the language which would give the General Accounting Office the right to reopen settlements because of differences of opinion on business or legal matters. The suggestion has been made that the Comptroller General

should have the right to reopen settlements where he finds that gross carelessness existed. That sounds plausible, but the effect would be to bring the General Accounting Office in by the back door, with a veto power on every transaction, because whenever it disagreed on a matter of law or fact it could say that anyone who disagreed was grossly careless.

The General Accounting Office provisions go to the heart of this bill. Let me urge again that you reject any amendment which would require the General Accounting Office to approve any settlement before it became final or which would permit the reopening of settlements honestly made.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Georgia. I yield.

Mr. MAY. That certainly shows he did not delay anything, but that he expedited it, even though the amount was large.

Mr. VINSON of Georgia. Mr. Chairman, I just pointed out that the average of delay on exceptions has been over 22 months.

Mr. HANCOCK. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. GRANT].

[Mr. GRANT of Indiana addressed the Committee. His remarks will appear hereafter in the Appendix.]

(By unanimous consent, Mr. GRANT of Indiana was given permission to revise and extend his remarks.)

Mr. HANCOCK. Mr. Chairman, I yield 5 minutes to the gentleman from Connecticut [Mrs. LUCE].

(By unanimous consent, Mrs. LUCE received permission to revise and extend her remarks.)

Mrs. LUCE. Mr. Chairman, as a member of the Military Affairs Committee who signed the minority report on H. R. 3022, sent to the Rules Committee on March 20, I arise now in general support of S. 1718, dealing with the same great problem of contract termination. The recommendations of the minority report are embodied, in all essentials, in the bill before us.

For more than 7 months Congress has been considering the problem of the settlement of terminated war contracts.

The same ground has been turned over so often by so many committees that it is clearly time to stop ploughing and to start planting. I know I speak for most of the Republicans in the House when I say we welcome the chance to vote at last on this vital legislation.

Contract-settlement legislation has long been urgently needed as a war measure. I am told that the War Department has already canceled 20,000 war contracts, and the Navy another 4,000. Today these terminations are not being settled quickly enough—even the procurement agencies admit this. The organization within the agencies is not adequate; nor does it have adequate legislative authority.

Today's cancellation job is like a spring shower compared to the cloudburst of cancellation that will flood American industry the hour that Germany's defeat is inevitable.

If the job of cancellations is going too slowly today, what will happen when the really big job hits the country?

Mr. Chairman, those of us who have had some opportunities to study this legislation in committee are not being alarmists when we say that if this contract-settlement legislation is not enacted swiftly so the proper administrative program is well under way before Germany's defeat, we face what Churchill would call a "most melancholy situation" on the home front. Not only will our return to civilian production be hamstrung, but the war against Japan will be hindered by the widespread subsequent dislocations in industry. That will mean a longer war and therefore a longer casualty list.

Already uncertainty regarding contract settlement has sent peace jitters through some industries, which are understandably reluctant to take on new war orders for fear all their assets may be frozen in these contracts when the war suddenly ends. How much greater will be the peace jitters after Germany's defeat?

Several hundred million dollars of materials, inventories, machine tools, and so forth, are today tied up in terminated war contracts. Much of this is usable—even if only as scrap. But it cannot be moved into the production lines, until the terminated contracts are settled. All such materials become idle resources. Idle, they will inevitably tie up war-manpower, which should be released in a rapid and orderly fashion for other pressing purposes.

The hundreds of millions of dollars in such materials now tied up will swell into the billions after there are large-scale contract cancellations. In some cases, these things may make the difference between whether a given industry is allowed to go back to civilian production, or whether it stays, marking time, out of business, while the workers stay out of jobs.

I may have followed this question of contract settlement more closely than others because it is a prosper-or-bust matter for the district which I represent. A large part of my district consists of the city of Bridgeport. Bridgeport is a city that has gone all-out for the war. We face the necessity of making tremendous adjustments with the collapse of Germany on the X-day which none of us can predict.

By far the greater portion of Bridgeport factories are producing for war contracts; the majority of our workers are in war industries.

We produce bazooka guns, machine guns, radar, parachute webbing, small-arms ammunition, antiaircraft searchlights, electrical equipment, firearms, airplanes, airplane equipment and instruments, cartridge cases, naval valves, gages, and so forth. To produce these things, Bridgeport manufacturers converted from the manufacture of typewriters, dictaphones, machine tools, steam gages, electrical supplies, brass fittings, brake linings, and other articles for civilian use. How much unemployment there will be in Bridgeport after Germany's defeat, and after Japan's defeat, will be decided in good measure on

how quickly these manufacturers can go back to the production of their normal peacetime products.

The same holds true, of course, for all war-industry centers, for all of Connecticut, for Detroit, Chicago, Cleveland, Birmingham, New Orleans, everywhere. Farmers, as well, will suffer the repercussions of faulty termination. Most of the produce from the farms of Fairfield County is sold in Bridgeport. If workers are jobless, they will eat less, and our farmers will find it more difficult to market their abundant crops.

What stands in the way of industry's shifting from war to peace production?

First. There is the physical problem of clearing Government war work out of the way to make room for new peacetime work, of moving out machines, materials, partly finished parts, work in progress.

Second. There is the problem of freeing the working capital which the manufacturer has tied up in the war contract, so he can buy new materials and equipment and pay his workers.

It is these two questions, how to get Government work out of the plant so new peace work can come in and how to pay the manufacturer what the Government owes him, that are taken care of in the contract-settlement legislation before us.

It is the small businessman who needs this legislation most—not the big fellow. Most small businessmen doing war work are subcontractors or sub-subcontractors. I know that is true of Bridgeport, where we have lots of little companies as well as large corporations represented. These little manufacturers do not have a contract directly with the Government. They make things which they sell to a prime contractor who deals directly with the Government.

The present method of settling war contracts resembles a bucket brigade. That is, the Government settles with the prime contractor. The prime contractor then passes payments on to his subcontractor, who in turn passes the bucket down the line to other subcontractors and suppliers. Many small businesses in Bridgeport—and this is true of the whole country—are way at the end of a long bucket line.

There is no authority at present to permit the Government to settle with these subcontractors directly. Legislation is needed for this.

In the Baruch-Hancock report, a number of specific measures were set forth to speed settlements of the claims of subcontractors, including a way of settling subcontracts even before the prime contract is settled. Legislation is needed for this.

Legislation is needed to permit a new revolutionary type of settlement that has been proposed, the so-called company-wide type of settlement. At present, each individual contract is settled individually and all of the work done on that contract must be followed through contract by contract. The company-wide type of settlement would call for all of the claims of any company being merged into a single claim and being settled on that basis. Obviously, if a workable administrative plan is developed for this

type of settlement, it would speed and simplify the whole problem. There is no legislative authority at present for making such settlements even on an experimental basis.

Another vital need is the establishment of a system of interim loans—T loans, according to the Baruch-Hancock report—which all contractors, both prime and subs, will be able to get from their local banks while they are awaiting settlement. There are bound to be some delays in settlement, even at best. Here again, the need for such loans is greatest on the part of the small manufacturer, whose never very sizable liquid assets are tied up in war contracts.

There can be no question as to who else besides small businessmen, will suffer if this legislation is not passed immediately—it will be workers and returning service men and women who will find themselves jobless—for business big or little cannot survive long delays in settlement and keep up employment.

Of course, many other problems besides the settlement of terminated war contracts are involved in reconversion. There are great human problems which certainly are of first importance and for which our preparations still are inadequate. I am wholly in accord with Congressman CELLER's additional views on these matters as embodied in the report from the Committee on the Judiciary to accompany S. 1718 as amended.

There are also the problems of making credit more readily available to small business, of properly stimulating post-war housing, of planning and engineering a shelf of needed public-works projects as insurance against possible depression, of taxes, the disposal of surplus Government property—and many others. All of these things, particularly the human problems, as noted by the gentleman from New York [Mr. CELLER], are of great importance and it is no credit to the Democratic leadership of this House that so little vigorous leadership in planning has been given on them. The need for vigorous planning and national leadership on these questions has been long apparent.

With contract settlement the situation differs in this important sense—what needs to be done is known and here presented in S. 1718. If we can legislate on this matter today, and we should do so—certainly before this Congress recesses for the political conventions.

There is substantial agreement as to the legislation before us among most of the groups who have been studying the problem.

All of the procurement agencies have approved the bill before us in most particulars. There is no reason for further delay in the passage. I know—and I am sure I voice the sentiments of many in this Chamber—that I do not want any responsibility for not having this legislation enacted promptly.

In the course of the discussions on this matter, I have noticed several bits of confusion and I would like to try to straighten those points out.

As a matter of perspective, I think it is important that the Congress realize that this legislation is really an enabling

act for the program of contract settlement set forth in the Baruch-Hancock report.

In this sense, I believe this bill breaks tradition. This is, I believe, the first time in this administration that Congress has been given a detailed administrative program in advance of a request for legislation. Generally, the practice followed has been to point out that a crisis or emergency exists—as indeed when has one not existed since the New Deal came to power?—The administration spokesmen then point out how complicated the problem caused by the crisis is, and then ask Congress for broad legislative authority to do almost anything the administration may desire to do about it later.

On this matter, however, we had a plan of administrative action set forth by the Baruch-Hancock report. We know exactly how the authority granted in this legislation is supposed to be used.

What was the essential purpose of this legislation, and of the Baruch-Hancock program?

The answer is to save the Government—which is the people—millions of dollars. That is the whole point of contract termination.

None of the problems of contract settlement would arise if we allowed all war contracts outstanding to be completed. If we did that, however, we would produce billions of dollars of things that were no longer needed and which would have to be given away or destroyed. This would be a tremendous waste of money and resources. The idea of contract termination is to break off the contract as soon as it is clear the stuff is no longer needed; to pay for the work that is begun; and to stop work on what has not been started.

All of the problems of settlement come from this fact—that the Government has broken off the contract in the middle.

This is an important point, because in committee many proposals have been made which would strip the procurement agencies of their authority to settle these contracts, and yet would continue these procurement agencies in full and final responsibility if the contracts were not canceled. In effect, if Congress were to enact such a bill—and I have in mind H. R. 3022 against which I voted when it was before the Military Affairs Committee—Congress would be saying to the procurement agencies, "We have every confidence in you to spend all these billions, to make contracts as you see fit, but when you cancel a contract to save money, then your every act must be subject to review."

If the Government does terminate a war contract, at its own convenience, it must repay the manufacturer the costs that he already has incurred plus a reasonable profit. This is provided for in the contract. It is something the manufacturer could get by going to court. All that is proposed under this legislation is that the Government determine what it owes quickly—and that it pay what it owes quickly.

This legislation will not give anything away to the manufacturer. It is not a bonus bill for business. It simply provides machinery for the Government to

pay what it owes—no more—but quickly. This speed is certainly in the public interest.

The rights of the contractor on termination are set forth in the contract itself. My colleagues will remember last January the Uniform Termination Article worked out by Mr. Baruch and Mr. Hancock. That set forth the rights of the contractor and the whole contract settlement program is built around it. This article provides that the contractor will get only the actual costs that he has incurred plus a reasonable profit. On work that he has not begun and on which no costs have been incurred, he gets nothing—no costs, no profit. This provides for stiffer treatment of war contractors than after the last war.

Moreover, after the last war there was no 85 percent excess-profits tax; no renegotiation. The money paid out in settlements is subject to both the tax and renegotiation.

This is anything but careless treatment of the taxpayers' money. I think I can understand how some persons have received false impressions on this matter. Because so much emphasis is placed on the need for machinery to make payments quickly, some people have naturally jumped to the conclusion that the bill provided for generous payments.

How to determine what the Government owes is not, unhappily, a simple mathematical problem. Precisely because the contract is canceled in the middle, the work in process rests in every stage from raw materials to parts almost finished. To require a detailed audit for every settlement of war contracts would require dozens of years. Only through settlements by negotiation can the job be done without disastrous unemployment.

And as far as I know, no one has suggested that these negotiations with the contractors be handled by a new organization instead of the procurement agencies. It is universally agreed that the procurement agencies are the best ones to do the negotiating. They know the contracts, know the manufacturers, have the organization and experience, and their negotiators, as I have seen in the Chicago and Detroit ordnance districts, work in teams and not as lone individuals.

This brings me to the one really controversial issue before the House—the role of the General Accounting Office in regard to these negotiated settlements.

All of us want to prevent scandal and fraud. All of us are anxious to protect the public interest and prevent the wasteful expenditure of Government money. There can be no absolute guaranty against abuse and even fraud, if only because of the magnitude of the job. Something like 200,000 prime contracts will have to be settled; more than a million subcontracts. Some mistakes are bound to be made in operations of that size.

The essential problem before Congress—and I believe I am stating this issue reasonably—is one of weighing the safeguards that are proposed against the risks of delays and to strike a proper balance. This is what has been done in the bill now before us.

For one major reason I am opposed to the proposal to require every terminated war contract to be reviewed by the Comptroller General with no payment final until this review is made. I am opposed to it because the risks and costs of the delays in settlement that would result are overwhelmingly greater than any possible savings there could be to the Government. In dollars alone the cost to the Government would be greater. If contract settlements are delayed, the pressure to continue the production of unnecessary goods will be greater. Contracts will not be canceled as promptly. After the last war I am informed a billion dollars of unneeded war goods were produced, and in this war the sum will be infinitely greater. In addition, there will be the dollar costs of unemployment benefits, the loss of tax revenues, and, of course, the general economic losses to the whole country of wages and business.

Without finality of settlement, subcontractors cannot be paid promptly enough. This would mean bankruptcies whose effects would snowball as they rolled down the bucket brigade line of subs.

Without finality, there could be no effective clearing of plants. Manufacturers would insist that the Government keep everything and this stuff would have to be moved into warehouses. The handling charges would be heavy, and once taken to warehouses much of this stuff would never come out in time to be sold.

The bill before us preserves the idea of finality of settlement—of negotiating these settlements once and for all except for fraud. It seems to me that the assumption which this bill makes—that the majority of American businessmen are honest—is the proper one. The assumption of those who favor the idea that every contract must be reviewed by the Comptroller General seems to be that the vast majority of businessmen in America—and the negotiators themselves are crooked. I feel this to be a strange view to hold of American business, and I believe that it is held by no important group in the United States of America except New Dealers and demagogues.

When my committee made its trip to Detroit and Chicago ordnance districts, I was impressed by the fact that the negotiation on the part of the Government was not done by one man, but by teams. This team idea is now a central feature of the whole contract settlement program. These teams are made up generally of five or six men, each with their assistants. They all work together and file a written report. The final decision is left to a contracting officer, since there must be one man to decide, but where this contracting officer departs from the findings of the team, he must give his reasons in writing. This, it seems to me, is a tremendous safeguard against fraud or collusion. Equally important, it is a protection to each individual team member so that he can exercise his own independent judgment with courage.

Many other safeguards are provided, such as requiring contractors to keep records for 5 years, but there is one which

is worth special mention. In this bill a director of contract settlements is to be named by the President and confirmed by the Senate. This director is given the authority to prescribe the safeguards that must be followed by all of the procurement agencies. This means that the Director can provide for additional safeguards if they become necessary. This Director is given the responsibility of keeping in constant balance the essential problem of obtaining quick settlement while protecting the Government. It provides for the necessary flexibility that is indispensable in any such operation.

It is interesting to note that all of the witnesses who appeared before all of the committees of Congress that have studied this problem, both in the House and the Senate, not one important witness, as far as I know, was in favor of the idea of having these settlements reviewed by the General Accounting Office, and all of the witnesses that testified on this point stressed the importance of speed and finality in making these settlements. These witnesses included representatives of all the major business organizations, small businessmen, medium-sized ones, the professional groups concerned, the American Federation of Labor, the Committee for Economic Development, the Massachusetts State Post-war Planning Committee—in short, all of the groups who have been studying the problems of reconversion and post-war adjustments.

The issues seem clear enough and the answers as given by many able colleagues on this floor today are equally clear. It is time to vote.

Mr. SUMNERS of Texas. Mr. Chairman, I yield 6 minutes to the gentleman from North Carolina [Mr. DURHAM].

Mr. DURHAM. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. DURHAM. Mr. Chairman, the basic issue in termination falls in about three categories.

First. What shall the contractor whose orders have been terminated be required to do to satisfy the Government that he has actually incurred the cost he claims?

Second. The method whereby the Government will supervise the program, which is purely an administrative problem.

Third. Provisions for financing the contractors during the termination period.

We all know that our post-war economy must be built on a high percentage of employment if we hope to furnish a market for our goods and, to be sure, no one wants to go back to W. P. A. employment.

The coming days of demobilization will be difficult for millions of people. Millions of men and women will have to take up new forms of work and the adjustments of our economy to a peacetime basis will bring a multitude of stresses and strains, and labor should not be called upon to bear all the sacrifices and strains.

Every thoughtful American today knows that full employment is a bulwark

against all issues. Above, all we must demonstrate that we can keep our economy moving and not become static as we did in the thirties.

Some time prior to June 1943 an endeavor was made by the sponsors and framers of the original H. R. 3022 to attach the substance thereof as a rider to the Army appropriation bill for the fiscal year 1944. This endeavor was discouraged, and properly so, by the chairman of the Committee on Military Affairs, whereupon the original H. R. 3022 came before the committee for hearing June 23, 1943. That draft sought to grant large authority to the Secretary of War "in connection with the termination of War Department contracts, under such regulations as he may prescribe and without regard to any provision of law relating to the making of contracts for advance or partial payments to contractors with the War Department."

The draft was tabled almost immediately, and another was substituted which extended the authority to the other purchasing departments. This substitute also contained the clause, obnoxious to some members of the committee, "without regard to any provision of law." From that time to the present the chief point at issue has been whether or not those agencies which had negotiated the contracts were to have the plenary powers in effecting their terminations which are set forth in Procurement Regulations No. 15—PR-15.

Hearings held on H. R. 3022 from June 23 to October 27, 1943, cover more than 600 printed pages. At length, on March 20, 1944, the final revision was introduced accompanied by Report No. 1268.

So, out of more than a year's study and the hearing of testimony from every available source in the field of industry, certain principles have emerged forming the point at issue with respect to the settlement of terminated war contracts.

First and foremost is the question of finality and whether or not upon the meeting of the minds of the contracting officer acting for the department or agency of the Government he represents, and the contractor, there shall thereupon be an end to every question relating to that particular terminated contract except for a possible post-audit to determine only whether there has been fraud or overpayment of the settlement as agreed; or, on the other hand, whether such settlements shall be reviewable as an entirety by a Government agency responsible to Congress, and hence to the taxpayer, to determine before that settlement becomes a finality, whether or not the amount paid to the contractor was excessive, whether the agreement is fraught with questionable practice, or whether there has been any other irregularity.

This is undoubtedly a fundamental question and open to almost endless argument in many directions; but a careful analysis of all the testimony on the part of industry shows clearly that expediency, based very likely upon war emergency hysteria, has been largely responsible for urging the principles of finality upon the conclusion of negotia-

tions between the contracting officer and the contractor. It is a fear of being caught by a shortage of funds to carry on business. Admittedly, it is a good reason. It should be considered, however, that once the principle is established that a contracting officer of a Government agency shall be the final arbiter of how much a contractor should be paid, that all checks against his discretion, his action, his favoritism, or prejudice, shall be eliminated or never provided, then you have thrown wide the vaults protecting the resources of the Treasury and let loose upon industry an uncontrolled power which conceivably could determine its very existence.

There is absolutely nothing in the Baruch plan which provides for such a check, but on the other hand says, page 6:

The review powers of the Comptroller General should be limited to fraud, with every administrative aid of all the agencies in the detection of fraud. This is in addition to his determining whether settlement payments are made in accordance with the settlement agreement.

To aid in the detection of fraud, it recommends:

That written reports and full records be kept by the Government negotiators of the bases of settlement; also, the contractors to keep their records for at least 3 years.

It recommends that the Comptroller be added to the Joint Contract Termination Board. It states on page 10 that the major objectives requiring legislation in connection with contract termination are met by Senate bill 1718 prepared by the committees of Senators GEORGE and MURRAY.

Associated intimately with this question of finality, and probably responsible largely for the insistence upon it, is the essentiality of payment of the amount of the settlement claim to the contractor in full, this being based principally upon the relation of the capital structure of industrial plants to the enormous sums involved in war contracts. This has been adequately met by H. R. 3022 because it distinctly provides that the items which are susceptible of immediate termination as to value shall be paid 100 percent; that those items which are subject to variation shall be paid to the extent of 90 percent; and that as to the balance, the Government shall guarantee a loan.

In determining the amount of the claim to be so paid, the Government shall select whichever is the lesser, that estimated by the contracting officer or that estimated by the contractor. It provides, in addition, that the record of the company desiring a loan shall be such as to give reasonable expectation that the loan will be paid. It cannot be said that this is not a wise precaution, because there are thousands of concerns which have sprung up during the emergency and which have no background whatever to support a Government-guaranteed loan.

This provides everything in the way of immediate cash payment that is suggested in the Baruch report, page 8. Additionally, it expedites to a greater degree than the Baruch report, getting cash into the hands of the contractor to the extent of 100 percent because it provides for Government guaranty of loans at

once and of the amount needed in full, instead of requiring the contractor to attempt to get a special type of loan.

CONTRACTS TERMINATED

The General Accounting Office submitted 19 typical cases of terminated contracts totaling \$12,100,450.96. These terminations were referred to the General Accounting Office for audit and review after the amount of settlement had been determined and approved by the contracting officer of the services involved. The material submitted to the General Accounting Office seems to be a copy of the termination contract, containing the terms of settlement and in some cases exhibits setting forth in itemized detail material and supplies involved in the transaction.

In the majority of contracts reviewed the following clause is inserted:

Payment in full compensation to the contractor for the uncompleted portion of the contract, including, without limitation, a reasonable allowance for profit or anticipated profit.

The material furnished for audit purposes does not contain the necessary details and figures to enable anyone to determine the basis on which the amount of settlement was determined and certainly no facts explaining what part of the settlement is considered profit or anticipated profit.

If the General Accounting Office has the authority to audit and review the terms and detailed figures of the terminated settlements it should be provided with all facts and figures on which the settlement is based. Forms are provided by the War Department on which the contractor lists a summary of the proposal for settlement including inventories, direct and indirect overhead, administrative expense, settlements with subcontractors, calculation of profit or anticipated profit, and many other details pertinent to the settlement. Without these facts presented for review it is impossible to make an audit of any terminated contract. Another item of importance is the valuation of inventories—raw material, work in progress, and finished goods. Who does the appraising and how are the values determined? How much of the inventory can be diverted to other contracts held by the contractor? There are many detailed questions which must be answered in order to audit and review these contracts.

A brief summary of the contracts submitted for examination follows:

Agfa Anasco division of General Aniline & Film Corporation, Binghamton, N. Y., \$502,489.89. Dated October 30, 1943.

This contract provides that the contractor shall deliver to the Government the materials and items set forth in appendixes A and B which are attached to the contract; but no values are given. Settlement is given as a lump sum including profit for work actually done. No details given for basis of settlement.

American Radiator & Standard Sanitary Corporation, Louisville, Ky., \$115,000. Dated May 1, 1943.

Included in this settlement is the sum of \$25,147.89 for machine tools and equip-

ment to be delivered to the Government as itemized plus \$89,852.11 for all its expenses chargeable to the uncompleted portion of the contract. These are the only figures furnished.

Auto-Ordnance Corporation, Bridgeport, Conn., \$267,991.94. Dated June 8, 1943.

Payment in full for completed supplies called for by the contract, \$187,991.94, plus payment in full compensation for the uncompleted portion of the contract including a reasonable allowance for profit or anticipated profit, \$80,000. No further details supplied.

Buffalo Arms Corporation, Buffalo, N. Y., \$4,621,727.77. Dated November 1, 1942.

No details except lump-sum settlement.

Curtiss-Wright Corporation, Caldwell, N. J., \$1,059,195.17. Dated March 28, 1944.

No details except lump sums for all of the contractor's costs, expenditures, liabilities, commitments, and work done pursuant to the terminated portions of the contracts.

Dalmo Victor Co., San Francisco, Calif., \$124,205.62. Dated May 5, 1943.

This contract called for 6,240 airplane smoke tanks to cost \$301,392. Only 110 were delivered, for which \$5,280 was paid to contractor. A list of small supplies were turned over to the Government for the settlement price of \$124,205.62, including allowance for profit or anticipated profit.

Diecasters, Inc., Ridgefield, N. J., \$107,922.89. Dated April 29, 1943.

The above amount to be paid upon delivery to the Government of supplies listed but not valued and for the uncompleted portion of the contract, including allowance for profit or anticipated profit.

Eureka Vacuum Cleaner Co., Detroit, Mich., \$760,908.32. Dated October 17, 1943.

No details for audit. Full compensation for uncompleted portion of contract, including allowance for profit or anticipated profit.

International Harvester Co., Chicago, Ill., \$196,765.70. Dated August 23, 1943.

Payment in full compensation to contractor for uncompleted portion of contract, including allowance for profit or anticipated profit. No details for audit.

Iron Fireman Manufacturing Co., Portland, Ore., \$594,999.50. Dated April 27, 1943.

Settlement stipulates \$528,412.43 full compensation to contractor for terminated portion of contract including allowance for profit or anticipated profit plus \$66,586.97 for costs incurred after the termination notice for the protection of Government property and other expenses in connection with settlement. Attached to contract is schedule of raw materials, rough parts stock, tools and patterns, fixtures, jigs and tools, and finished parts to be delivered to the Government but not valued. Not sufficient details for an audit.

Jamestown Metal Equipment Co., Inc., Jamestown, N. Y., \$194,558.65. Dated August 11, 1943.

Payment in full compensation to contractor for uncompleted portion of contract plus allowance for profit or anticipated profit. List of tools to be delivered

to the Government is attached to contract but not valued. No details for audit.

Kilgore Manufacturing Co., Westerville, Ohio, \$141,437.15. Dated July 9, 1943.

Lump-sum agreement for termination. No details for audit.

Knapp-Monarch Co., St. Louis, Mo., \$136,414. Dated February 19, 1943.

List of machinery to be delivered to Government attached to contract but not valued. Settlement to cover contractor's cost, expenditures, liabilities, commitments, and work done. No details for audit.

Midwest Manufacturing Co., Galesburg, Ill., \$1,100,211.98. Dated August 31, 1943.

No details for audit. Contract specifies payment in full for supplies called for in contract which have been completed \$984,141.71 and payment in full compensation for the uncompleted portion of the contract \$116,070.27.

Minneapolis-Moline Power Implement Co., Minneapolis, Minn., \$225,406.32. Dated October 16, 1942.

Attached to this contract is schedule E, showing itemized termination claims. This is the only termination agreement with supporting schedules to the claim. It could be audited, provided information as to value of inventories are submitted.

Oliver Farm Equipment Co., Chicago, Ill., \$625,825. Dated October 20, 1943.

Lump-sum settlement. No details for audit.

Oliver Farm Equipment Co., Chicago, Ill., \$581,500. Dated January 12, 1944.

Lump-sum settlement. No details for audit.

Seeger Refrigerator Co., St. Paul, Minn., \$585,001.69. Dated August 30, 1943.

Payment in full compensation to contractor for the uncompleted portion of the contracts, including reasonable allowance for profit or anticipated profit. No details for audit.

L. R. Teeple Co., Portland, Ore., \$128,862.37. Dated June 12, 1943.

List of items to be delivered to Government included in contract but not valued. Payment in full compensation to contractor for uncompleted portion of contract, including allowance for profit or anticipated profit.

EXAMPLES OF QUESTIONABLE PRACTICES AND TRANSACTIONS OF GOVERNMENT DEPARTMENTS AND AGENCIES IN CONNECTION WITH THE PROSECUTION OF THE WAR EFFORT WHICH HAVE BEEN OBJECTED TO AND/OR CORRECTED BY THE GENERAL ACCOUNTING OFFICE

PART I. DOUBTFUL EXERCISE OF AUTHORITY FOR THE PURPOSE OF CIRCUMVENTING OR OVERCOMING OBJECTIONS OF THE GENERAL ACCOUNTING OFFICE

Payment to cost-plus-a-fixed-fee contractor of a fixed daily allowance for each employee in a travel status was objected to by the General Accounting Office because the contract authorized reimbursement to the contractor only for the actual amount paid to employees as travel allowances, not to exceed a fixed daily amount.

Subsequently a supplemental agreement was entered into with the approval of the contracting officer specifically providing for payment to the contractor of a fixed daily

amount for each employee in a travel status without regard to the amount paid by the contractor to the employee.

Inasmuch as the supplemental agreement providing for payment of such amounts was entered into pursuant to authority conferred on the contracting agency by the First War Powers Act, 1941, and Executive Order 9001, this office was precluded from further questioning the payments.

Many other contracts of this department were likewise modified to effect this same purpose.

Reimbursement to a cost-plus-a-fixed-fee contractor for the cost of law services, professional-trade manuals, and periodicals was questioned by the General Accounting Office because reimbursement for such expenses was not authorized under the terms of the contract. Subsequent to this action the contract was supplemented with the approval of the contracting officer to specifically provide that such expenses were to be allowable items of cost.

Inasmuch as the supplemental agreement providing for reimbursement of the expenses was entered into under authority conferred on the contracting agency by the First War Powers Act, 1941, and Executive Order No. 9001, this office was precluded from further questioning the payment.

Reimbursement to a cost-plus-a-fixed-fee contractor for losses aggregating \$75,593 incurred in the operation of cafeterias and private dining rooms was questioned by the General Accounting Office because reimbursement for such losses was not authorized under the terms of the contracts. Subsequent to this action the contracts were supplemented with the approval of the contracting officer, retroactive to the date of the original contracts, specifically to provide that such losses were to be allowable items of cost.

Inasmuch as the supplemental agreements providing for reimbursement of such expenses were entered into pursuant to the First War Powers Act, 1941, and Executive Order No. 9001, this office was precluded from further questioning the payment.

Subsequent to the date of execution of the supplemental agreements, the contractor filed a reclaim for the amount of the cafeteria losses which had previously been refunded. Since the contracts, as modified, provided for reimbursement of such expenses, the reclaim was allowed.

PART II. ERRONEOUS ACTIONS OF CONTRACTING OFFICERS OF THE VARIOUS CONTRACTING AGENCIES WHICH WERE QUESTIONED BY THE GENERAL ACCOUNTING OFFICE, RESULTING IN RECOVERY OF AMOUNTS ERRONEOUSLY EXPENDED OR SAVINGS OF AMOUNTS ERRONEOUSLY OBLIGATED

A cost-plus-a-fixed-fee prime contractor was reimbursed, with the approval of the contracting officer, for the entire amount of the purchase price paid to a subcontractor for gun mounts purchased on a lump-sum or fixed-price basis.

The General Accounting Office objected to the reimbursement because the rough castings from which the mounts were made had been furnished to the subcontractor by the prime contractor without cost, notwithstanding that the subcontractor's lump-sum bid price included the cost of castings, and the cost of castings actually furnished to and used by the subcontractor had previously been reimbursed to the prime contractor by the Government.

As a result of this objection, the cost of the castings furnished to the subcontractor aggregating \$476,394 was recovered by the Government.

A contracting officer approved an amendment to a contract shifting from the contractor to the Government the duty of inspecting the work without a corresponding reduction of the contractor's compensation.

The General Accounting Office questioned the action of the contracting officer on the basis that the amendment was without consideration, since the original contract price included compensation to the contractor for the inspection work. As a result of this action by the General Accounting Office the contract price was reduced \$97,020.

Contracting officer approved reimbursement to a cost-plus-a-fixed-fee contractor for increased costs under an amendment to a purchase order providing for an increase in the unit price of bayonets to cover increased production.

The General Accounting Office objected to the reimbursement of the increased costs for the reason that the records disclosed, not only that production was not increased, but that deliveries did not comply with the delivery schedule as set forth in the original purchase order. As a result of this objection \$19,000 was recovered by the Government.

Contracting officer approved reimbursements to a cost-plus-a-fixed-fee contractor for commissions ranging from 3 to 75 percent paid to certain individuals and concerns acting as defense brokers and middlemen in the procurement of expendable tools for use on work under cost-plus-a-fixed-fee contracts.

A contracting officer approved payment to a lump-sum contractor of the full contract price notwithstanding the fact that Government-owned materials and parts were furnished to it for use in the performance of the contract.

The General Accounting Office objected to the payments because the contract did not provide that such materials and parts were to be furnished without cost. As a result of this objection over \$10,000,000 has been recovered by the Government.

A contracting officer approved for reimbursement to a cost-plus-a-fixed-fee contractor the cost of certain materials, supplies, and services which actually were utilized by the contractor on other work.

The General Accounting Office objected to the payment and, as a result, an aggregate of \$30,820 was recovered by the Government.

Seventy-five thousand dollars covering compensation to the contractor for services performed at its home offices during February, March, and April 1942 was paid to the contractor with the approval of the contracting officer.

The General Accounting Office objected to the payment because the contract provision authorizing payment for such services at a rate of \$25,000 per month for each calendar month of operation had been amended to provide that the payments should begin with the month of May 1942. As a result of this objection the erroneous payment of \$75,000 was recovered by the Government.

A cost-plus-a-fixed-fee contractor was reimbursed, with the approval of the contracting officer, for the cost of lecture courses in human engineering including instructions to the contractor's employees on how to improve their memory. The General Accounting Office objected to the reimbursement on the grounds that the expense was not allowable under the contract and was not a proper charge against the Government and as a result the cost of the course, aggregating approximately \$23,000, was recovered by the Government.

A contracting officer approved payment to a contractor without taking advantage of discount offered under the terms of the contract. The discount due at the time General Accounting Office questioned the transaction was \$220,819.43, representing 1 percent on the price of materials of contractor's own manufacture used on the contract work and was collected from the contractor as a result of action initiated by General Accounting Office. The terms of the contract required that such materials be furnished by

the contractor at prices and conditions not less favorable than those offered third parties and it was determined that a discount of 1 percent offered to third parties had not been offered to the Government. Not included in the amount stated above are additional large sums representing savings accruing to the Government by reason of the fact that subsequent to the office action the contracting officer is now obtaining a discount on all transactions.

A contracting officer approved reimbursement to a cost-plus-a-fixed-fee subcontractor for salary paid to one of its corporate officers.

The General Accounting Office objected to the payment because under the terms of the subcontract salaries of corporate officers were not reimbursable. As a result of this objection the amount of the erroneous payment aggregating \$9,925 was recovered by the Government.

A contracting officer approved payment to a contractor for \$26,399 reserved under the terms of a contract to cover an assessment against the contractor for late deliveries under the contract.

The General Accounting Office objected to the payment because the contractor did not comply with the delivery schedule offered by him and, therefore, the assessment was proper. As a result of this objection the amount of the erroneous payment was recovered by the Government.

A contracting officer approved reimbursement to a cost-plus-a-fixed-fee contractor for payment to a lump-sum subcontractor of the entire amount of the contract price notwithstanding the fact that Government-owned dynamite had been furnished by the prime contractor to the subcontractor for use in the performance of the subcontract.

The General Accounting Office objected to the reimbursement because the lump-sum contract price was fixed on the basis of the cost of the dynamite being paid by the subcontractor. As a result of this objection the aggregate amount of \$27,646 was recovered by the Government.

A representative of a contracting officer approved reimbursement to a cost-plus-a-fixed-fee contractor for bonus payments to its employees. Upon presentation of vouchers claiming reimbursement for such payments, a field representative of the General Accounting Office advised the disbursing officer that reimbursement of the amounts paid was not authorized under the terms of the contract. The disbursing officer presented the vouchers to the Comptroller General for a formal decision as to their allowability and the decision was to the effect that the claimed reimbursement was not authorized. As a result of that decision the reimbursement was not made by the disbursing officer and the cost of the bonuses aggregating \$263,146 was saved the Government.

Mr. HANCOCK. Mr. Chairman, I yield such time as he may desire to the gentleman from Tennessee [Mr. REECE].

Mr. REECE of Tennessee. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

WAR CONTRACT TERMINATION

Mr. REECE of Tennessee. Mr. Chairman, one of the major responsibilities of this Congress is to provide for the conversion of industry which is now engaged in the production of war materials to civilian production when the war ends, and the bill before the House is one of a series of bills for this purpose.

This is a bill of greatest importance, and it comes to the House after mature

consideration, with a unanimous report from the Judiciary Committee and also the Post-war Committee, of which I have the honor to be a member.

As the gentleman from Mississippi said, when the war ends it is likely to end suddenly and we must be prepared for the reconversion of our war economy to a peacetime economy if economic chaos is to be avoided. The termination of war contracts is the first thing for which provision should be made.

The prime concern of this bill for the settlement of war contracts is to provide jobs on civilian production as quickly as possible when the war contracts have been terminated.

The factor of speed is the heart of this problem. If we allow the transition from war production to peace production to drag on, we are in for a period of unemployment, unrest, and depression. If the legislation which we enact should tend to delay rather than speed that transition, we shall have a responsibility to bear for the economic chaos that may ensue.

No one is more sensitive than I to the necessity of giving the Government a fair settlement in the negotiations for the termination of war contracts. I want to see rules for the administration of settlements so framed that there will be a minimum of negligence in the negotiations. I want to see fraud severely punished as it deserves. The bill so provides.

I do not regard speed of settlement, which is of prime importance, as inconsistent with adequate protection of the Government against fraud. But, frankly, if I had a choice between saving the Government a few million dollars by delaying settlements and speeding up settlements at the cost of an additional few million—even if for the sake of argument there were such a choice—I say to you frankly that it would be worth that additional amount to get millions of citizens, including our 10,000,000 soldiers, back to peacetime jobs.

We have had a controversy, with sincere differences of opinion, over how far the Comptroller General's office should be brought into the settlements of war contracts. His right to review Government payments on war-contract settlements to see that payments are in accord with the terms of settlement and to see that there is no fraud in connection with settlements, is not questioned. He has always had that right.

So far as the origin of contracts is concerned, the Comptroller General had no part in the procurement nor in setting the terms of the contracts. The contracts were let by the Army and the Navy and the other procurement agencies. The Comptroller General's office has not been a party to the changes in designs which necessitated changes in terms, nor to the cut-backs or termination of the contracts. These tasks have been performed by the trained staffs of the procurement agencies which have acquired an intimate knowledge of the contracts and the problems connected with them. Twenty thousand of these men, schooled in the contracts and the problems of contract termination, are required by the

contracting agencies to carry on the negotiations of settlement.

Now the Comptroller General—and I yield to no one in my regard for the man who presently occupies the office—suggests that at this late date he will enter the picture, will recruit a staff despite the acute labor shortage, will train them in the Government contracts and, after terms of settlement have been made between contractor and procurement agency, the settlement will be held in abeyance until the Comptroller General's staff has had a chance to see whether the Government got as much out of the settlement as it could.

Can we not visualize the time that this duplication of effort will require? The early contract settlements with the Army and Navy have taken, on the average, from 4 to 6 months—far too long. Capital has been tied up. The opportunities to reconvert have been delayed. We have properly urged the procurement agencies to gather speed in the making of settlements as their experience with settlements increases. They have made and are continuing to make progress in this direction. This bill impresses upon them the necessity for increasing speed in settlement, for uniformity, for simplification, for advance payments—all with the object of minimizing delays.

A certain amount of freedom of negotiation is deliberately allowed for the purpose of coming to a speedy settlement under clearly defined rules of procedure. If the contractor can know that the disposition of his claim with the negotiating officer will be final, he will be prepared to go a long way in meeting the Government's requirements in order to get his claims settled. But suppose that the contractor knows that his settlement with the negotiating officer is to be in a state of suspense—that its terms may be changed after review and postaudit by the G. A. O.—where does he then stand? What bank will make him a loan for working capital based on a contingent settlement that may be overthrown by the G. A. O. because it did not agree with the judgment of the negotiating officer? What negotiating officer will take a chance on anything except the strictest terms of settlement, lest his judgment be challenged by an outside agency like the G. A. O.?

Can we not see that both contractor and contracting officer will be dealing with each other at arm's length; that instead of a give-and-take with the object of speedy settlement, we shall get a dragging out of the negotiations in the first place and then the months of review as the settlement cases pile up awaiting the audit of the Comptroller General?

Meanwhile, billions of dollars of contractors' inventories must be held in suspense awaiting the final release of the G. A. O. Payments to contractors must be held up awaiting final release after post-audit by the G. A. O. Clearance of inventories and equipment, retooling and reinvestment for civilian production must be held while cases are awaiting review by the G. A. O.

And what will we gain by that? Of the \$10,000,000,000 of war inventory now held by contractors, \$2,000,000,000 are in

finished goods for which the contract price is definitely fixed so that payments can be made at once. A great part of the goods in process is on an invoice basis at costs previously fixed so that they too may be settled without dispute. The rate of profit on fixed costs as well as on raw materials and goods in process has been fixed under the uniform termination clause.

If the war were to end suddenly while production was at its maximum we may have an area of allowable claims covering as much as one and a half billion dollars. The rules for these allowable claims are pretty definite. But we grant that inside of this total of a billion and a half, there will be room for some debate and for negotiation and for compromise. The results of a strictly meticulous, detailed settlement as compared with a reasonably liberal settlement within the established rules, as I have said, might conceivably make a difference of a hundred million dollars—possibly a little more—to the Government.

But what price shall we be paying for that? First and most important we shall be paying for it in unemployment. The 11,000,000 workers whose livelihood has depended on war contracts have represented a monthly pay roll of two and a half billion dollars—at least 10 times and more likely 20 times, the amount we could save by a meticulous post-audit on top of the regular negotiated settlements.

It is clear to me, and I hope it is to you gentlemen, that if any sizable fraction of this monthly pay roll is held up as a result of an insistence upon delaying the finality of settlements by detailed post-audit, then I repeat we shall be sharing in the responsibility for depression, for industrial unrest and for increasing suffering on the part of millions of workers, not to mention the businessmen who in good faith allowed their plants to be commandeered for war work and who are prepared to resume civilian production as soon as settlements are completed.

To me it is clear that the human side of this problem is the primary one, and that everything we do in the passage of this bill must be directed toward reconversion and reemployment. Speedy final settlements are vital to this end.

Mr. HANCOCK. Mr. Chairman, I yield 10 minutes to the gentleman from Tennessee [Mr. JENNINGS].

[Mr. JENNINGS addressed the Committee. His remarks will appear hereafter in the Appendix.]

(Mr. JENNINGS asked and was given permission to revise and extend his own remarks.)

Mr. SUMNERS of Texas. Mr. Chairman, I yield myself 1 minute for the purpose of supplementing the statement just made by the distinguished gentleman from Tennessee. It is provided in section 16 that the General Accounting Officer may examine any of these settlements which have been made after they have been made and if fraud is detected then it becomes his duty to cite that fact to the Department of Justice in order that prosecution may be had.

Mr. Chairman, I yield 10 minutes to the gentleman from Alabama [Mr. SPARKMAN].

[Mr. SPARKMAN addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. HANCOCK. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. SPRINGER].

Mr. SPRINGER. Mr. Chairman, as we discuss this pending measure, there are three things that appeal to me perhaps as forcibly as any others in connection with it. First, we are very anxious, and it is absolutely necessary, that we have a speedy settlement of these terminated contracts; second, to my mind, it is absolutely essential that we have a complete and final settlement of these contracts as quickly as possible; and the third point that appeals to me in this connection is that the first two which I have mentioned are essential in order that we may have a continuity of employment for the employables of this country. With those three observations at the outset, it appears to me that this pending legislation is of the utmost importance; it is important that it should be enacted as speedily as possible in order that we may have a guidepost and a standard by which these terminated contracts may be settled.

The problem of terminating war contracts and making settlement of those terminated contracts is one of our most important problems. It is of the utmost importance that this legislation be passed as quickly as possible. In order that these guideposts and these standards may be established, which will aid materially in establishing uniformity in making settlements under terminated contracts, I desire to call to the attention of the Members these further observations on this measure.

The bill that came to us from the other body was entirely without any standard. There were no guide posts set up in that measure. As a matter of fact, in order to have uniformity, in order that these settlements may pursue a certain, definite, and a well-defined course, it is essential, in my opinion, that some standards and some guide posts be set forth. This we have done in the pending measure. These standards are not set forth as a hard and a fast rule, but they are sufficiently liberal to grant ample latitude in negotiating and completing such settlements.

I think perhaps I can refer to some of those standards and guide posts which are set forth on page 62 of this bill, and which are to be observed and followed in making these settlements.

First, "a reasonable cost of settling and paying termination claims under terminated subcontracts." That is one item which must be taken into consideration. The second one is "the cost of items of termination inventory." That was discussed to some extent just a little while ago by my distinguished colleague from Iowa [Mr. GWYNNE]. Third, "allowance for depreciation at appropriate rates on buildings, machinery, and equipment." Fourth, "general experimental and research work, to the extent consistent with

an established pre-war program." Fifth, "cost of engineering and development." Sixth, "loss on special facilities acquired solely for the performance of the contract." Seventh, "rentals under leases clearly shown to have been made for the performance of the contract." Eighth, advertising expense to the extent consistent with a pre-war program or to the extent reasonable under the circumstances. Ninth, "interest on borrowings." The other items, which are embraced in the bill, will be found in the subsequent paragraphs.

Those guide posts have been set up for the purpose of outlining a charted course which should be followed, and which should bring about uniformity in making settlements of these terminated contracts.

I would like to call the attention of the committee to the provision contained on page 65 of this measure. There the measure sets forth items which are not to be included as elements of cost. I might mention those just very briefly. First, "losses on other contracts or from sales or exchanges of capital assets." Second, "expense of conversion of the contractor's facilities to uses other than the performance of the contract which is under settlement." Third, "expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness." Fourth, costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract. Other items are mentioned in the pending bill. These standards will be found to be helpful, I am confident, in maintaining a uniform system of making such settlements.

In other words, we have attempted to set up a liberal standard, or standards, or a series of guideposts, which will permit those who are negotiating and attempting to make settlement of these terminated contracts as nearly uniform as possible, and as speedily as possible, in order to make certain the continuity of the operation of these affected plants and to assure the continuity of employment of the employables in this country.

Much has been said in connection with this particular legislation regarding the position of the Comptroller General of the United States with respect to it. While I was not present with the distinguished Subcommittee No. 3, of which my distinguished colleague from Pennsylvania [Mr. WALTER] is the distinguished chairman, may I say that he, and his subcommittee, have done a splendid job with respect to this legislation. I wish to commend the chairman and his subcommittee for their long and faithful service on this measure and upon the presentation of this bill to the House. I was informed before this measure came before the House that the distinguished Comptroller General made the statement that "he did not want to be a party to any preinvestigation prior to the settlement of the termination contracts." In that situation let us see what his connection is with respect to these terminations and settlement has gone through the appeals with respect to the Comptroller General.

On page 94 of the bill, which relates

to the prerogatives of the Comptroller General, we find that after settlement has been made—either by agreement, and it can be done voluntarily on the part of those representing the Government and on the part of those representing the contractors, or the contractors themselves, and even where the settlement has gone through the Appeals board which is provided by this measure—the Comptroller General has the right and the power to make a complete review, if he sees fit to do so. He has the authority provided in this bill, and that which is now provided by law.

Let us see what the provision in this measure is with respect to his authority in that examination or review which is made. Remember, this is after the settlement has been made. He has the right, first, "to ascertain and determine whether the settlement payments to the war contractor were made in accordance with the settlement"; and, second, "he has the right to ascertain and determine whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud."

May I say to the committee, it is the hope that this measure will be passed speedily by the House in order that the continuity of employment may continue, and in order that the men returning from service may find employment which they will seek upon their return.

Mr. Chairman, as we discuss this highly important legislation today, I am constrained to urge the members of the committee that this measure, while it may not be perfect, and while it may require amendments in the future to clarify its provisions, and while it may require amendments to cure existing ills in the measure, but that can best be detected and determined after a fair trial of this measure is had. It is my belief that this measure, which comes from the Judiciary Committee of the House, as the bill was practically rewritten by that committee, is by far the best measure presented on the subject of contract termination.

One last thought I wish to leave with the Members before this debate closes is this: When we terminate contracts, and make settlements thereunder, we do not need any special audit; that procedure is not that which requires an audit; that procedure requires the exercise of good and sound business judgment on the part of businessmen; that accomplishment requires the employment of men who are schooled in business and who know values; that plan of settlement between the Government and the war contractors requires the exercise of experience and knowledge gained in the business world. After the settlement has been accomplished, and some facts and evidence is available, then the Comptroller General has the full authority to act by determining whether the settlement has been made in accordance with existing law and with the agreement so made, or the decision rendered, and, also, whether any fraud or collusion has intervened which would viciate the settlement so made. Ample provision is made

in the pending bill for the Comptroller General to advise the proper authorities, in the event fraud is discovered, and for the proper authorities to take such action as the facts may warrant.

Again, Mr. Chairman, I desire to urge that there is a demand for legislation upon this subject now. It is the hope of our committee that this legislation, when passed by both bodies, and signed by the President, will aid in the settlement of the war contracts which have been terminated speedily and without delay, and that such settlements will be final and conclusive. When that is done very little disturbance will result, and our plants will continue to operate and the workers will be assured a continuity of employment, and the progress of the trades in civil life will not be hampered by reason of the change from a war economy to a peace economy. I am convinced that is the wish and the will of every Member in the House.

The CHAIRMAN. The time of the gentleman from Indiana [Mr. SPRINGER] has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I yield 8 minutes to the gentleman from Texas [Mr. KILDAY].

(Mr. KILDAY asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. KILDAY. Mr. Chairman, there can be no doubt but that the personality of our friend Hon. Lindsay Warren, the Comptroller General, is involved in the consideration of this bill to a very marked extent. Of course, most of us served with Mr. Warren here in the House. We all admire him. We have complete confidence in his integrity and his ability. Those of us who oppose his connection with the termination of contracts certainly mean no reflection upon him.

My colleague the gentleman from Texas [Mr. THOMASON] referred to the cases which Mr. Warren reported to our committee. It is true that he came with a large number of cases which on his original statement would indicate that there had been very loose management in the payments made on contracts by the War Department. However, when Judge Patterson, the Under Secretary of War, came before the committee he made statements with reference to the cases referred to by Mr. Warren, and with the explanation made by Mr. Patterson, and which was never denied by Mr. Warren, it is evident that the loose management was apparent only.

I want to cite to you from the hearings of the Committee on Military Affairs on this legislation that 99.95 percent of the exceptions which the General Accounting Office took to the War Department payments were, upon examination by the General Accounting Office, withdrawn. That disallowances by the General Accounting Office at the time of those hearings were running but 10 cents per \$1 000 of expenditure under the War Department contracts; further, that 90 percent of the money amount of the cases submitted by the Comptroller General represented either items subsequently allowed by him or items brought to light by the War Department itself in its reg-

ular audit and which were in the process of correction before they came to the attention of the Comptroller General.

One of the items which the Comptroller General cited to the committee was the suspension of \$21,000,000 on a cost-plus contract. The Under Secretary stated:

The fact is that before this item was submitted to the committee the General Accounting Office had received information which has led it to withdraw its objections to the payments under this subcontract.

Notwithstanding the fact that Mr. Warren detailed that as one of the flagrant cases in which payments were suspended, it was later admitted that the objection to that item had been withdrawn by the General Accounting Office.

I say to you that the primary thing in connection with this legislation is to have a speedy termination of contracts. If we do not, the economy of this Nation will be completely wrecked. The men who have been connected with the contracts from the beginning are in possession of the information which must be used to terminate the contracts. If the General Accounting Office is to come into the picture without any knowledge of the matters involved in the contract and then make the necessary investigations and reviews of what has transpired before, there is bound to be interminable delay.

There is no reason to say that in a case in which the contracting officers have the right to grant the larger contract they should not have the right to make the smaller contract. These terminations constitute in fact a new contract, a novation in law. There is a contract for a larger number of articles, and the contracting officer then makes an agreement for a smaller number. No one has ever contended that the General Accounting Office should be involved in the original grant of the contract, but when the smaller contract comes along we have the statement that that Office should have some connection with it.

It is also to be borne in mind that "the contracting officer" is a term, a designation used for a large number of people. It is true that the contract is actually signed on behalf of the Government by an individual officer. However, in the negotiation of the contract it has been processed through no less than 22 or 23 hands. Involved in the award of the contract are the engineers, the lawyers, the production experts, and all that sort of thing. They all confer on it, they process the matter through, and at the conclusion of the process it is signed by the contracting officer. Those are the men who must handle these terminations, those are the men who live with the contract and follow it through, and those are the men who should be given the power and the right to terminate these contracts, because they can do so quickly.

If you were to go to Detroit and Chicago and look at the automobile factories there, as we did, you would see that the production lines have been completely destroyed. The machines necessary for the production of automobiles and other items as well have been withdrawn

from those plants and the Government's property is in them. It is essential that that property of the Government be removed at once so that we can begin production of civilian items. There is not one of these contractors that does not carry inventories many, many times its capital. If there is delay for a matter of weeks only you are going to wreck each one of those companies, because they are not in a position to carry inventories which vastly exceed their capital.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. KILDAY. I yield to the gentleman from Kentucky.

Mr. MAY. Of course, the gentleman understands that in the committee bill we reported it is provided that when notice of termination is given the Government must get its property off the floors of the contractors within 60 days.

Mr. KILDAY. That is not going to help the situation when you have your contractor with an inventory many times his capital, and force him to carry that inventory while the Comptroller General studies the question anew in order to come to the conclusion that he is going to make.

The point in this is that there is no auditing function involved, there is not a particle of auditing function in the termination of the contract, no more so than in the award of the original contract; therefore, the Comptroller General should not have a part in it.

Mr. BROOKS. Mr. Chairman, will the gentleman yield?

Mr. KILDAY. I yield to the gentleman from Louisiana.

Mr. BROOKS. I have a profound respect for the gentleman's ability and level-headedness.

Mr. KILDAY. I thank the gentleman.

Mr. BROOKS. Will the gentleman advise me, however, about this? Even after the contract is settled and payment is made, under your bill you are unwilling to give a complete audit of these matters?

Mr. KILDAY. These settlements must be made promptly and they must be finally made.

Mr. BROOKS. Even after the money has been paid, why is it your bill opposes a complete audit?

Mr. KILDAY. The point is that the settlement must be final. The manufacturer is not going to be able to go to his bank and finance his operations unless that bank knows just exactly where he stands financially. This is an emergency situation. If the Government is going to be able to come along later and take half of his capital on the claim that the contract termination was not done in accordance with what the Comptroller General feels should have been the termination, he is not going to be able to go to any financial institution in the United States and finance his new civilian operation.

Mr. GWYNNE. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. ARENDS].

Mr. ARENDS. Mr. Chairman, I am pleased that we at last have this legislation before the House for consideration. Too much delay has already been

experienced. With favorable war progress reports coming in daily from all sectors of the battle fronts, we are now aware that the Allies are definitely on the road to victory and that within the not too far future, we await the day when complete victory will be ours. When that time arrives, our problems at home will be emphasized and we will be confronted with difficulty upon difficulty. Passage of this legislation will be one weapon to help speed up solution of some of the conversion problems when it immediately becomes both necessary and desirable to make the shift from war-contract production to peacetime production.

The Military Affairs Committee of the House had many days of hearings on H. R. 3022, a bill dealing with the subject matter now under debate. We gave consideration and careful study to the many knotty problems that attach themselves to speedy contract termination. A subcommittee, of which I was a member, visited plants where there already had been cancellations of contracts and there, through first-hand information, we were truly able to visualize the immense conversion problems that face all industry now actively engaged in war production. Likewise, we spent hours in the office of some of the procurement agencies responsible for effectuating the termination of contracts. They likewise called our attention to the terrific difficulties confronting them and gave evidence to prove that if contracts were to be quickly terminated, there must be a certain degree of confidence placed in our contracting officers and that their hands could not be tied too tightly.

In reporting H. R. 3022, our committee differed particularly as to the part the Comptroller General was or is to play in the picture. The Comptroller General's Office is a creation of Congress. We established the Office in order to maintain a check on Government financial affairs. Everyone recognizes the value of the operation and efficiency of this agency. The great difference of opinion as to when and how the Comptroller General's Office should actively enter into deliberations of the matter of canceling contracts was the bone of contention in our committee. The bill as finally reported favored active participation by the Comptroller General in settlement of all contracts. Thirteen members of our committee filed a minority report setting forth the argument that it would be physically impossible for the Comptroller General to enter into all contract-termination settlements and would very definitely slow up final settlements. Quick determination, I believe, is the crux of this whole matter and is vitally necessary if we expect to have rapid conversion and leave industry in a financial position where they can carry on and speedily convert to peacetime production.

We have in this legislation before us, Mr. Chairman, permitted the Comptroller General to post-audit these contracts. That is as it should be. As in the case of individuals, I firmly believe that 95 percent of our businessmen are sincere, trustworthy, and honest. I cannot be-

lieve that they deliberately want to defraud the Government. If in the post-war audit fraud is detected, both fines and jail sentences are provided. Those who attempt to defraud the Government will, we hope, in every instance be caught and severely punished.

Passage of this bill will, Mr. Chairman, make possible the quick termination of contracts with honest and just settlements in the large majority of cases. Congress, I am sure, wants to be fair to the war contractor while at the same time desires to pave the way for as short a transition period from war to peacetime production as can be had. Affirmative action on our part in regard to this bill will help solve the problem of any possible long drawn out accumulative unemployment.

Just how important this contract termination and conversion ties into the whole post-war economy can be best understood from figures made available by the Senate Special Committee on Post-War Economic Policy and Planning. I quote:

Estimates as to the total number of people employed and available for employment today, including the armed forces, vary from sixty-one and one-half to sixty-three million. There is no real difference in these figures, as they reflect seasonal changes, so that the larger figure may be taken as the total number of people ready, willing, and able to work.

Estimates of the number that likely will withdraw from the labor force, including those who will return to school or college, those who will retire because of old age or because, like many women, they would not have been in the labor force but for the war, range from four to five million. The higher figure is more likely to be correct. On the other hand, it must be remembered that additions to the labor force are normally around 750,000 a year.

In order to fix a terminal point for calculating the labor force, certain assumptions as to time must be made. Those assumptions may or may not be correct and a difference of 1 year in them would make a difference of 750,000 people.

If it be assumed that the war in Europe will end this year; that the war in Asia will continue for a year thereafter; and that a year and a half will be consumed in demobilizing the armed forces to their post-war strength—estimated at from two to three million—there will be between fifty-seven and fifty-eight million people in the post-war civilian labor market.

The highest employment this country ever reached prior to 1941 was approximately 46,000,000 people. This figure includes everyone gainfully employed. It was reached only three times—in 1929, 1937, and 1940.

Today, with a manpower shortage, approximately 1,000,000 are unemployed, and this seems to be the irreducible minimum.

After making allowance for frictional unemployment, in order to attain full employment in the post-transition period, jobs must be found for somewhere between fifty-four and fifty-six million people.

Estimates as to the size of the working forces during any stage of the transition period are more difficult. That figure will depend on factors that hardly can be foreseen and to a large extent will depend on the intelligence with which the reductions in war production are planned and put into effect.

Today approximately 50,000,000 people are employed, outside the armed forces. Over-time work is estimated to be equivalent to the work of an additional 5,000,000 people.

Right there we are at the root of this whole problem. Unless contracts are speedily terminated and unless conversion to peacetime production is reduced to a minimum, we face possible catastrophic results particularly as it applies to unemployment. Widespread unemployment is the thing we must avert.

At this time I want to pay tribute to industry for the unparalleled feat they have accomplished in turning out such high production of wartime materials. Industry has and is answering the challenge laid down to them calling for unprecedented production. With passage of this legislation I trust we can help smooth the way toward allowing them to readjust their factories and plants to the end that a minimum of trouble will be experienced and their productive efforts can and will shortly be directed with full steam ahead for the peacetime output of goods.

(Mr. ARENDS asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. GWYNNE. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. WOLVERTON].

Mr. WOLVERTON of New Jersey. Mr. Chairman, the pending bill to provide for the settlement of claims arising from terminated war contracts is of prime importance if we are to have an orderly transition from war production to that of peace production.

CONTINUITY OF EMPLOYMENT NECESSARY

To change from a war economy to a peacetime economy will be far more difficult than was the change from a peacetime to a war economy. In no particular will this be more readily noticeable than in the field of employment.

As we entered into war production the demand was for workers. As our production program gained momentum the cry was for more and more workers. At last even the lure of high wages failed to produce the necessary manpower. Driven almost to desperation, in an endeavor to find sufficient workers, Government agencies adopted all sorts of rules, regulations, and requirements to provide an adequate working force to keep production at the high level made necessary by our ever-expanding military and naval activities.

With the close of the war the demand for the articles and weapons of war will come to an end. Cancellation of war contracts will then be immediately made. With the cancellation of these contracts there will naturally come an immediate cessation in war production. When war work stops there will be at once thousands, yes, millions of workers out of a job. Where can they go to get a job? They cannot return immediately to former peacetime activities, for all such, generally speaking, have been closed out in the war effort.

What about the returning soldiers? We have promised them their old jobs back again when they have returned. While it is true that they, under a plan of demobilization may be gradually returned to civilian life, yet, every mother's son of them, as soon as the war is over,

will want to get out of the Army as soon as they can. They will be impatient until they are discharged. The pressure on Congress to demobilize quickly will be terrific. And, when they are discharged, early or late, we add millions more to the millions of workers already unemployed who are seeking employment.

You may say the picture I have painted is dark. I know it is. But it is not any darker than the actual conditions will be unless we do something about it.

This bill now before us is one of the steps that will help prevent such a picture of distress and misery from becoming a certainty. Of course, other legislation will be necessary to supplement it. These further steps are now the subject of study and consideration by the House Special Committee on Post-war Economic Policy and Planning, under the able leadership of the distinguished Member the gentleman from Mississippi [Mr. COLMER]. Additional legislation will be presented as fast as careful consideration and study will permit.

OTHER PROBLEMS TO BE SOLVED

As an indication of the broad field of study being covered by the committee, to meet the various problems that must be solved if we are to have an orderly and stable transition from war to peace, and continuity of employment, I mention the following as among the subjects that must of necessity be considered:

First. The demobilization of civilians and servicemen from the war effort and the measures which will expedite their reemployment.

Second. Measures to care for the unemployed during the interim of reconversion to peacetime pursuits.

Third. The cancellation of war contracts and means of paying the way for early resumption of peacetime production and an expanding post-war industry.

Fourth. The disposition of war surpluses and of Government-owned industrial plants.

Fifth. The modification and removal of wartime controls.

Sixth. The place of public works and construction during the transition and in the post-war period.

Seventh. The financing of post-war reconversion and expansion.

Eighth. The relation of tax policies to post-war expansion.

Ninth. The restoration of balance in the Nation's post-war economy—between the areas of the country expanded during the war and the areas reduced during the war, between agriculture and urban industry, between small and large business; between available goods and available purchasing power.

Tenth. The cooperation of the United States in the restoration of international trade.

TIME IS OF THE ESSENCE

We are all deeply conscious of the need for speed in dealing with these matters. Already disturbing problems, connected with them, are upon us. Thousands of contracts have already been canceled. They represent millions

of dollars and affect thousands of employees. If we are not vigilant and aggressively active in meeting the situation, we will be overwhelmed before we know it. Should there be a cessation of hostilities before we have set up the machinery for dealing with these problems we will be caught in a downward swirl that will not be good for the welfare of our Nation and its people. The need is already here. The responsibility is ours. We must meet it now. Not sometime in the future. To delay or temporize will be to fail and bring chaos to our economic system.

The House Special Committee on Post-war Economic Policy and Planning in making this bill the first subject for consideration did so because it seemed to be the first and most necessary thing to do to make possible continuity of employment as we change from war to peacetime production.

OBJECTIVES OF THE ACT

The objectives of the act are:

First. To facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit.

Second. To assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement.

Third. To assure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing.

Fourth. To facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security.

Fifth. To assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor.

Sixth. To use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

SURVEILLANCE BY CONGRESS

To assist the Congress in appraising the administration of this act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the act.

In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his duties and authority under this act, the status of contract terminations, termination settlements, and

interim financing and such other pertinent information on the administration of the act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

UNDERLYING PURPOSE OF ACT

The underlying purpose of this bill is to provide speedy settlements of amounts due from the Government upon cancellation of contracts to the end that such moneys may be quickly available to be utilized in starting peacetime production. If millions of dollars are held indefinitely in the hands of the Government, the private enterprise, to which it is due, is handicapped in proceeding with its reconversion program. This naturally produces a lag in employment. When this condition arises, and is multiplied by the thousands of businesses similarly situated, it does not take long for it to reach serious proportions.

PROTECTION AGAINST FRAUD

To achieve speedy settlements and at the same time provide every reasonable safeguard to protect the Government from improper claims and unwarranted payments, the bill provides standards to be observed and applied in the settlement of claims arising out of terminated war contracts. The penalties for fraud, and even attempts to obtain improper amounts from the Government, are extremely severe both from a civil and criminal standpoint. Every conceivable safeguard consistent with the objectives of the act has been provided. The powers, duties, and authority of the Comptroller General under present law have not been changed. Under the terms of this bill he has lost no right or privilege now held by him to detect fraud. In fact, in some particulars doubtful or uncertain rights have been confirmed or strengthened. We all realize that no law, however severe, has yet been able to stop wrongful acts, not even the death penalty for first-degree murder, but so far as is humanly possible this bill by its provisions has made it not only difficult but certainly poor business for anyone who should attempt to defraud the Government.

INTERIM FINANCING

Aside from providing a procedure that will encourage and facilitate speedy settlements of claims, it also makes provision for interim financing pending the settlement of the claim that is being processed. This feature of the bill will prove of great benefit in promoting the underlying objectives of the act. Without this provision private industry, particularly small business, would be greatly handicapped in obtaining credit or loans to immediately commence its peacetime activities. Without this provision the claimant would be required to await the receipt of the amount due him. Even with all the other provisions of this bill to facilitate early settlement of claims, there might conceivably be a lapse of time that would seriously interfere with the ability of the claimant to carry on his peacetime activities as soon as it is hoped he will be able to do. Any lag or interference with business going "full steam ahead" will be reflected in un-

employment. The one thing most necessary in the post-war period, particularly, immediately after the shutting down of war industries, is to provide employment. This provision for interim financing is one of the most essential in the whole bill, and will undoubtedly prove of great value in assisting private industry to provide employment.

REMEDIAL PROVISIONS

A further feature of the bill that deserves approval is that relating to the rights of claimants. A procedure has been set up that will, in my opinion, give any claimant every reasonable right to obtain justice without going into court with the consequent expense and delay, yet if the claimant does not wish to avail himself of such procedure there is nothing in this bill to prevent him from going into court to establish any right that he feels belongs to him—or such claimant may avail himself of the procedure provided in the act, designed for speedy settlement of his claim, and if not satisfied may then go into court. No existing remedy that a claimant now has under the law is taken from him, but in addition thereto he is given an opportunity to avail himself of a settlement procedure that can facilitate his settlement if he so desires. This is fair and just to all parties concerned, Government and claimant.

SUBCONTRACTORS PROTECTED

The bill also provides for the protection of subcontractors, where full justice requires that they be paid when the financial status of the prime contractor may prevent, or for some moral or equitable reason the subcontractor is entitled to be paid. The plight of the subcontractor has in some cases been pathetic. Many subcontractors were urged to enter into war production, auxiliary to some prime contractor whose credit status they did not know. In many instances these were small manufacturers who cannot afford to go unpaid. If they do, then employment suffers. Their capital does not permit their continuing in business. There are many illustrations, of varying kinds, that might be given to support the propriety of this provision. Suffice it to say it seemed not only sound and just but also necessary that some provision should be made to apply equitable, as well as legal, principles to the settlement of claims of subcontractors. They responded to the call of their country, they produced as requested, and they are entitled to be paid.

CONCLUSION

In conclusion, permit me to call to your attention the conditions that resulted from the sudden cancellation of the Brewster contracts. Immediately there was a cry of despair from the workers. Fortunately in this instance the Navy was able to find other work that could be done by the plant and the workers were put back to work. This was possible because there was appropriate war work that could be assigned to them. But, if the cancellation of the Brewster contract had come as a result of the ending of the war, then there would not have been an opportunity to give additional war work. The result

would then be that the workers would be in the ranks of the unemployed. Therefore, it can be readily seen how important it is to facilitate, by every means possible, an orderly and quick transition from war work to peacetime production that there be continuity of employment.

This bill is one of the steps toward the fulfillment of such a program. It deserves, and I trust will have, the support of this House.

(By unanimous consent, Mr. WOLVERTON of New Jersey received permission to revise and extend his remarks.)

Mr. GWYNNE. Mr. Chairman, I yield 3 minutes to the gentleman from New Jersey [Mr. CANFIELD].

Mr. CANFIELD. Mr. Chairman, the aviation industry of the United States is vitally interested in this legislation, and this industry together with all America is thrilled at the remarkable performance turned in over Japan yesterday by our boys in the new but already famous American B-29 bombers. These mighty instruments of war are now our No. 1 offensive weapon for both land and sea attack. They are well described as "the paralyzers." They will knock out the enemy and speed victory for our fighting forces. The B-29's are powered by the tried and true Wright Cyclone engines, which top in speed and durability anything the world has ever seen. I rise to say with no little pride that these engines are designed and constructed by my friends and neighbors in Paterson, N. J. Let me tell the House about a most interesting coincidence that happened in Statuary Hall this afternoon. With a group of my constituents I was touring the old House of Representatives and I literally bumped into the distinguished gentleman from Kansas [Mr. REES] doing the same thing with a group of Kansans. I was standing on that bronze plate that marks the spot where John Quincy Adams of old had his desk and where, as you know, he was fatally stricken. The gentleman from Kansas said to me, "CANFIELD, let us show our friends and our constituents, just how the whispering gallery functions."

The Kansans remained by my side and the gentleman from Kansas [Mr. REES] paced off 15 steps with my New Jerseyites and he said, "Go ahead, CANFIELD." With a dramatic effort I whispered, "Mr. REES, the young men standing alongside of you are domiciled in Paterson, N. J., in my district. They helped construct those Wright Cyclone engines that powered the B-29 bombers that bombed Tokyo and other cities of Japan yesterday."

"Well," replied the distinguished gentleman from Kansas, "that is very fine, Congressman. Let me tell you this, the folks standing alongside of you are domiciled in Wichita, Kans. They are constituents of mine. Wichita, Kans., is the home of the Boeing Corporation which made the planes that carried those Wright Cyclone engines over the Japanese."

Mr. REES of Kansas. Mr. Chairman, will the gentleman yield?

Mr. CANFIELD. I yield.

Mr. REES of Kansas. Mr. Chairman, permit me to say that was an unusual instance and I just want to say that the people of Kansas and of Wichita, especially, are honored in having the air capital of the Midwest at Wichita.

Mr. CANFIELD. The East salutes the West and the West salutes the East and we all salute our boys and those bombers.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. SUMNERS of Texas. Mr. Chairman, at the request of the gentleman from Florida [Mr. SIKES], to whom time has been assigned, I yield 6 minutes to the gentleman from Ohio [Mr. ELSTON].

Mr. ELSTON of Ohio. Mr. Chairman, I appreciate, of course, the courtesy of my distinguished friend from Florida [Mr. SIKES] in yielding me this time. At the outset I want to make it clear that I am in complete accord with everything that has been said this afternoon with respect to the necessity of passing legislation which will guarantee the prompt settlement of war contracts and provide continuity of employment. I have no objection to most of the provisions of the bill before us today and I am as hopeful as anyone that a satisfactory contract-termination bill will be passed without delay. I hope, however, the present bill will be amended to conform to some of the provisions of the bill recently reported to the House by the Committee on Military Affairs. Much has been said in this debate about the part the Comptroller should take in the settlement of war contracts. In the few minutes that I have I shall discuss that phase of the question. Actually that is the only matter in serious controversy. The bill before us gives the Comptroller virtually no authority. In fact, I believe it takes from him authority he already possesses. In this connection it may be interesting to know what the Comptroller General himself thinks of the settlements that are now being made. Let me read a letter which he sent to me on May 6, 1944. It is as follows:

MY DEAR MR. ELSTON: At the request of Chairman MAY, I am enclosing herewith merely a few examples of questionable practices and transactions of war agencies which have been objected to or corrected by the General Accounting Office. As I have previously stated, there are literally hundreds of such cases that could be cited. You will recall that I placed 270 of them in the record when I testified before your committee last October.

Now, Mr. Chairman, I hope you will listen to this paragraph because it represents the opinion of one who should know whereof he speaks. His letter reads further as follows:

I am also sending you 14 photostatic copies of termination settlements that have been sent by war agencies to the General Accounting Office. No supporting data or other information accompanied these settlements. This office has requested that such information be sent in, and it has been refused us. I have previously stated and again repeat that the audit function of the General Accounting Office of these settlements, whether it be for \$1,000,000,000 or \$100, can under the terms of the Murray, Vinson and Kefauver bills, be consummated by a 10-year-old boy in 10 seconds. It would be possible for any of these termination settlements to reek

with fraud, and I think you will agree that on the record I am enclosing you, which is all we have, it would be impossible for fraud to be detected.

With best wishes,

Sincerely,

LINDSAY C. WARREN,

Comptroller General of the United States.

Mr. Chairman, I wish I had the opportunity to comment more fully on the documents to which Mr. Warren refers. These meager statements were all that were sent to the General Accounting Office. I challenge anybody to indicate how fraud could be detected in a document of this kind consisting at most of only a page or two of writing, without the semblance of any supporting evidence. If this practice is to continue there would be no limit to the fraud and irregularities that might occur.

The bill before us today does not, as my friend from New Jersey indicated a few moments ago, continue all the functions of the General Accounting Office. I submit to you that it takes from that Office much of the authority it now possesses. Let us refer for a moment to section 16 (a) of the bill. You will there find a provision that the Comptroller General cannot act until after final settlement has been made. And at the beginning of that section you will observe the words "any other provision of law notwithstanding." This obviously includes all of the laws now on the statute books from which the General Accounting Office derives its authority.

Now let me refer to section 18 (a). That section gives to the Director, whoever he may be, the authority to say what evidence shall be submitted to the Comptroller General, for the section says:

He—

Meaning the Director—

shall prescribe (1) such records to be prepared by the contracting agencies and by war contractors as he deems necessary in connection with such settlements and interim financing, and (2) the records in connection therewith to be transmitted to the General Accounting Office.

* Consequently, if this remains in the bill, the Comptroller may continue to receive just such documents as he has referred to in his letter. In other words, a bureau head will have the power to pass on how much evidence the Comptroller General will be permitted to consider. I believe in the interest of all taxpayers the Comptroller General should be afforded all possible opportunity to detect fraud and other irregularities.

Mr. WALTER. Will the gentleman yield?

Mr. ELSTON of Ohio. I am sorry. I only have a few minutes.

Mr. WALTER. The gentleman is making an incorrect statement and I would like to call his attention to the specific provisions of the law.

Mr. ELSTON of Ohio. The gentleman can do that on his own time. I gave my interpretation of this section and the gentleman cannot construe it as he sees it. The report of your committee indicates that the section would do what I have stated.

I, too, have great faith in the honesty and integrity of those in our contracting

agencies who are now settling contracts. But that is no reason to divest the General Accounting Office of its authority. It would be a dangerous precedent. Congress has set up the General Accounting Office for the purpose of detecting fraud wherever it may be. If this House is going to pass a bill depriving the General Accounting Office of full opportunity to detect not only fraud, but irregularities and gross carelessness, I submit we have made a serious mistake. These defects in the present bill can be corrected by amendments which will be offered. The bill of the Military Affairs Committee not only provided for prompt and full settlement with all war contractors but it protected the taxpayer as well. No honest contractor need fear the General Accounting Office. A dishonest contractor should have his actions reviewed.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. ELSTON] has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I yield such time as he may desire to the gentleman from Florida [Mr. SIKES].

Mr. SIKES. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. SIKES. Mr. Chairman, the Congress unquestionably realizes that contract termination is one of the most important matters now pending. Two factors are of particular moment, speed in reconversion to peacetime processes, and safety in handling of public funds. Both may be determined by the legislation which we write.

Many war contractors have expanded their facilities to such an extent that cancellation of war contracts without immediate partial payments and speedy settlement of their claims would impede the Nation's rapid reconversion to full employment in peacetime pursuits. The Nation is now geared largely to war production. It cannot suspend war production overnight without very serious dislocations unless an adequate, sensible, speedy plan for contract termination settlements is in operation.

The Military Affairs Committee, after many months of study, offered an adequate, sensible, and speedy plan for contract termination. That plan is not before us. The Committee on Rules has seen fit to place another plan before the House. With all respect for the able gentleman who reported it, I do not think it has had the benefit of the careful study given our bill. However, I admit readily that it provides for speedy settlements, and I do not question its objectives. It does not contain one safeguard which to me is highly important. By eliminating the Comptroller General almost completely from the contract termination picture and granting him only a casual review of the final, condensed proceedings, this measure makes the contracting agencies the judge of their acts. They award the contracts. They settle the contracts. They are virtually the sole judges of both acts and all that goes between.

I prefer to see the Comptroller General, the one agent of Congress in all the maze of Government offices, given a voice in charting a safe course through the dangerous waters of contract termination.

We are offering an amendment, taken from the bill written by the Committee on Military Affairs, to insure a review of these important settlements by the Comptroller, to bring an independent agency into the picture. Adoption of this amendment will not delay contract settlements.

As the bill before us now reads, the contracting officer would possess complete power to deal with contract terminations as he saw fit. The board set up in the bill for supervision and review is largely inconsequential in effect, and, in my opinion, it has but little value. The contracting officer is answerable only for fraud, and proof of fraud, we know, is almost impossible to establish in any court. After the horse is gone it is a little late to start to worry about it. The Comptroller can help us keep the horse.

At this point I wish to quote from a statement made before our committee by the Comptroller General, Hon. Lindsay Warren:

You should not permit the war contracting agencies to make final settlement for war contract termination claims. There should be a review of such large and important settlements by an independent agency. The Congress has such an independent agency. It is the General Accounting Office; its head, the Comptroller General, is the agent of Congress. It is the only truly independent office in the entire Government whose duties pertain to the checking of Government expenditures. It has no friends to reward or enemies to punish. We are strictly nonpolitical. Careful and efficient administrators in the Government welcome our audits and our inspections and give us full cooperation. It is only those who desire no restraint and who try to circumvent the Congress who desire to escape our supervision. The enormity of the task has been fully considered and the possibility of establishing with adequate funds a special staff equipped to do the job has also been considered. We can and will do this termination job if it is the will of Congress. We will have no alibis if we fail.

Mr. Chairman, I am convinced that the vast majority of contractors and contracting officers are actuated by honorable motives. But just as a petroleum scandal will besmirch an entire administration, so can the weakness of a very few officials cast suspicion upon the entire structure of contract-termination settlements. I seek protection for that vast majority in whom no breath of scandal should taint, and I seek protection for the taxpayer who must pay the bill down through the generations.

I fail to understand why the various departments should desire to undertake the sole responsibility of contract-termination settlements. I can understand the Comptroller General's solicitude for taxpaying America. It is a solicitude which I, too, share, and for that reason I favor the lodgment of final authority in contract-termination settlements in the Office of the Comptroller General, the General Accounting Office. That is the purpose for which that Office was created.

Mr. HANCOCK. Mr. Chairman, I yield 2 minutes to the gentleman from Kansas [Mr. REES].

Mr. REES of Kansas. Mr. Chairman, I wish to say further with reference to the statement of the distinguished gentleman from New Jersey [Mr. CANFIELD] concerning the great B-29 bombers, from the war plants of Wichita, Kans., that a great deal of justifiable praise has been given to the magnificent performance of the super flying fortress of the air, manned by well-trained daring men of America.

Mr. Chairman, citizens of Kansas are proud of her great air capital, Wichita. The people of Wichita, and especially the thousands of employees in her factories; take justifiable pride in producing the giant super fortress that is destined to take such an effective part in bringing Japan to her knees.

Mr. Chairman, of course the people of Kansas, as well as those of other parts of the country are interested in the legislation dealing with termination-of-war contracts. It is a problem that is going to challenge the best-trained minds dealing with this subject. The success with which contract termination is handled will determine largely the ability of this country to pass through the transition of a wartime economy to a peacetime one. This is one problem in which industry, labor, and all classes and people from all walks of life are very much concerned. The solving of this problem will test the ability and strength of our system of free enterprise.

[Mr. JACKSON addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. SUMNERS of Texas. Mr. Chairman, I yield 7 minutes to the gentleman from California [Mr. VOORHIS].

The CHAIRMAN. The gentleman from California [Mr. VOORHIS] is recognized for 7 minutes.

Mr. BREHM. Will the gentleman yield?

Mr. VOORHIS of California. I yield.

Mr. BREHM. I just wanted to make this remark that if it had not been for the Wright Brothers at Dayton, Ohio, you people would not have anything to crow about concerning the airplane factories in your districts.

Mr. WORLEY. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. I yield.

Mr. WORLEY. No matter where these planes may have been manufactured, they could not have gone to Tokyo without Texas gasoline. Then, of course, while no information has been released, I dare say that about 90 percent of the flyers who went on this raid were from Texas, as usual.

Mr. VOORHIS of California. Mr. Chairman, I have enjoyed this discussion. I come from that section which is the cradle of the aircraft industry, Los Angeles, Calif., where, before the war, over 50 percent of all the aircraft in this country was constructed. I am glad to find the rest of the Nation is becoming as air-minded as our section of the country has been for many, many years.

Mr. Chairman, the bill before us today is one which is difficult for me to follow and one over which I have worked and pondered a great deal. As I see the fundamental question it is this: There is only one thing which is more important than the speedy termination of contracts in order that liquid funds may be in the hands of manufacturers so that they can continue production. That one thing which is more important is the continuous flow of consumer purchasing power, which is after all fundamental to all production, and which, in my judgment, has got to be the subject of almost immediate legislation, which I think will be even more fundamental than the bill now before us.

I am not going deeply into the details of the bill that is before the House today, except to say that in discussing it in the Post-war Committee it seemed to me there were two principles involved. The first of those was that the bill was to be framed in such fashion as to make possible the speediest possible action and as much finality of action as possible with regard to the termination of the contracts.

In the second place, there should be provided very severe penalties indeed for anyone who did not play fair in the matter. My personal opinion was that some of those penalties should have been even more severe than they are in the bill, but as the bill stands, there is a penalty of 25 percent of the excess amount that might be claimed under fraudulent or wrong circumstances even though the man never collected it. I think that should have been 100 percent. At least it is 25 percent. But for a parliamentary tangle I think it might have been different. However, the man who does succeed in collecting by fraudulent means or other wrongful means, more than he is rightfully entitled to, would under this bill be penalized not only 10 years imprisonment or a \$10,000 fine, but also civil damages equal to triple damages, plus \$2,000 as I read the bill.

Those penalties are pretty severe. I think they should be. I do not think they are a bit too severe. The thing which, it seems to me, saves the bill is this principle that you are going to try to effect speedy termination and you are going to attempt to make your penal provisions so severe that if anybody tries to take advantage of the fact that Congress has attempted to make speedy termination possible, we are going to deal with him in accordance with his crime.

I want to turn now, if I may, to another phase of this problem, and to forecast a couple of amendments which I propose to offer to the bill. It is presumed by this time that the effect upon American economy of the war has been to vastly strengthen the aggregation of capital, industry, and power, and correspondingly to place smaller scale business in a relatively disadvantageous position.

I have before me some charts of what happened in the metal manufacturing, where we find that in 1939, 22 percent of metal products were produced by firms employing 2,500 or more people, whereas in 1943, 55 percent of all metal products were produced by those large concerns.

Of course, there were corresponding reductions in the percentage of metal products put out by the small concerns.

There is not much we can do about the effects of the war, but there are things we can do about what is going to happen in the reconversion period, and unless we take positive action to see to it that not only is small business protected but that definite, creative effort is put forth to place small business in a more advantageous position, I do not think it is going to happen.

The question is whether the reconversion period will further fasten monopoly upon our Nation or whether it will strengthen small firms and promote free enterprise. Small business has got to be in position to go ahead. I think it should be permitted to reconvert before big business, and Mr. Donald Nelson before the Committee on Post-war Planning the other day agreed with that statement. I hope it is going to be carried out, but small business will not be able to do this unless provisions for the financing of small business in this difficult period are definite and clear.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I yield the gentleman from California 1 additional minute.

Mr. VOORHIS of California. I thank the gentleman. I merely want to say that I have made only the introduction to my speech about my amendments, but I will present them to the committee tomorrow and I assure you they are very good amendments.

Mr. GWYNNE. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. ELSTON].

(Mr. ELSTON of Ohio asked and was given permission to revise and extend his remarks.)

Mr. GWYNNE. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON of Kansas. Mr. Chairman, every one of the last few speakers has made a statement that he had some connection with the B-29 bombers; consequently I want the RECORD to show that I was present when the first one rolled off the line at Wichita, Kans.

Mr. Chairman, the pending legislation is most vital to our post-war reconversion of industry. The termination of contracts is but one phase of a multiple problem. Congress should immediately enact legislation dealing with these several phases. It is our duty to enact legislation that will cut red tape and bring about reconversion of industry from war to peacetime production. Various bills have been and are now being considered dealing with war production, reconversion, post-war adjustments, expansion of foreign trade, taxation, agricultural problems and social security.

The problem of post-war taxation is most important and in my opinion it is the basic problem affecting permanent post-war production and employment. The termination of contracts, the disposition of surplus property and other items that have been mentioned are of immediate concern and action must be taken at once. However, we must not con-

clude that these are the only problems. A tax program that will furnish incentive for investment and full employment should also have immediate consideration. A tax program that will provide investment incentive is most essential if we are to continue the enterprise system which has made America great.

We secure production and employment either through the use of private capital or the other alternative of Government loans and employment. I fully realize that we cannot change our present tax legislation during the war emergency. However, we should be in a position to assure the country of a tax program that will provide every incentive for investment capital. Either private capital furnishes the money for the expansion of our industry or the Federal Government must. I contend it would be most unfortunate if we retain a tax burden that prevents the full use of private capital. Our prosperity demands high volume of production and low taxation. High volume and low taxes will furnish employment for the millions of our men and women who are working in the factories today, and our returning veterans. If we cannot secure this the only alternative will be a Government-financed program of W. P. A., P. W. A., and other alphabetical agencies that we want to forget.

Under existing tax legislation we reward debt capital, that is, corporations and individuals are penalized for placing their money into venture or risk capital. I think I can best illustrate this by specific cases.

Let us take 10 individuals who have an annual income of \$50,000 each. They decide to form a one-million-dollar corporation, each of them investing \$100,000. Let us assume that the corporation had a very successful year and they made \$100,000 on their investment. Let us assume also that this corporation paid only the normal tax of 40 percent, and did not have excess profit or other taxes to pay. There would remain \$60,000 to be distributed among the 10 individuals. This sounds like a 6-percent return on the investment and might be considered very good. What actually happens is this. As these individuals were in the \$50,000 income-tax bracket the Federal Government would take 75 percent of the \$6,000 for personal income taxes. There would remain \$1,500 for each individual, or 1½ percent on the investment. Should these individuals live in a State where State income taxes apply, their return would be reduced further. Certainly, you cannot expect our citizens to risk their capital in private enterprise on the present tax structure. Should these individuals be in the \$100,000 income class and make the same investment their return would be only \$720. Should they be in the \$25,000 income-tax bracket their return would be \$2,190, or 2.19 percent. The return on the War bonds at present is 2.9 percent. Surely no individual would care to risk his money for a return of 2.19 percent when he is assured of a 2.9 percent return on Government bonds.

Someone will probably ask what tax bracket a citizen must be in to secure the same return as his investment in Government bonds on the corporation I first mentioned. The tax tables show that the income must be about \$14,000. Most everyone will agree that a 4-percent return on invested capital is not excessive, yet under existing tax laws a citizen cannot afford to make such an investment in private business if his taxable income is as much as \$5,000 a year. The present tax structure must be changed immediately at the conclusion of the war in order to keep our people employed in private industry. This is also a job for Congress and it is my hope that we take early action on this important matter.

(Mr. CARLSON of Kansas asked and was given permission to revise and extend his remarks.)

Mr. SUMNERS of Texas. Mr. Chairman, I yield 7 minutes to the gentleman from California [Mr. J. LEROY JOHNSON].

(Mr. J. LEROY JOHNSON asked and was given permission to revise and extend his remarks.)

Mr. J. LEROY JOHNSON. Mr. Chairman, I realize the hour is late and that as a new Member, perhaps I should not take up your time. But I participated in every single hearing on this subject before the Committee on Military Affairs and also visited four separate termination offices to try to understand something about this problem. I became convinced from attending those hearings and visiting those offices and going over matters with the termination officers that the only way to solve this problem was to eliminate long complicated audits and get a speedy and final termination of this entire matter by negotiated settlements. Sometimes, in order to understand how complicated things can be, illustrations are of great value. I want to cite to you one case to show what this auditing would mean if we went into it in the way that the Comptroller General wants to go into it. The Lockheed Aircraft Co. of Los Angeles in the year ending October 1, 1943, in order to transact their business, handled over 50,000,000 pieces of separate memoranda and papers. Think of that. Furthermore, in the Chicago ordnance district office they told me that if the contracts with the Ordnance Department alone in that district were terminated at that time it would take one-third of all the warehouse space in Chicago to take care of the property on hand on these unfinished contracts. We can multiply this situation thousands and thousands of times in our manifold war production program.

The people I am thinking of and want to see relieved are not the big contractors who have the cushion of lots of money and resources, I am thinking about 1,000,000 small contractors who have got to get a quick settlement in order to reconvert to civilian economy, or they will go bankrupt.

The same company I mentioned in Los Angeles in October 1943, had 4,650 separate subcontractors providing materials and various kinds of work for them; so you can see how complicated this thing could be. Do you not realize

that in this war we had to change our military ideas entirely from what we learned in 1918? I say that in order to fight the problem we are going to have when the actual military battles are over, when we come to fighting the economic war that faces us we must revise our ideas on how to handle these matters.

Also I want to point out that every single settlement we make in the termination of these contracts has already been audited by the Army, by the Navy, by the Maritime Commission, and so forth, and what the Comptroller General would be doing would be merely to go over what has already been completely checked and audited. Also, do you realize that checking the books unearths very few fraud cases? Mention was made today of a colonel in Hawaii whom it was claimed defrauded the Government of a good many thousands of dollars. If the Comptroller General is so competent that he can catch and detect all fraud why did he not pick up that case? You know the answer. The answer is that men who deal in fraud and subterfuge are able to hide their tracks and no auditing in the world will ever take care of those situations. The gentleman from Georgia [Mr. VINSON] pointed that out very clearly.

Furthermore, let me point out another problem, namely, that in the settlement of these complicated contracts a part of it is a factual settlement—there is so much material on hand that the man has bought, cost of his premises, and so forth. The testimony showed that this might amount up to as much as \$25,000,000,000. The other factor is the value of the intangibles. The factors entering into that determination, the judgment, the determination, the opinion, of the negotiating officer as to what shall be allowed for obsolescence, for depreciation, for unused leases, for partially used new buildings, and so forth; and that resolves itself down to that intangible thing we call the opinion of those men.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. MAY. The gentleman does not mean to say that the House would authorize the Comptroller General to audit the opinions of anybody, does he?

Mr. J. LEROY JOHNSON. He is going to audit the whole account, as I see it under the provisions of the bill H. R. 3022, for it provides that he shall audit the entire transaction and the allowances to the contractor before final and complete settlement is made. I asked the question of one of the witnesses if that meant they were giving their judgment on whether or not the settlement was a fair one. I think he said "Yes."

Mr. MAY. The gentleman does not mean to say this bill authorizes him to audit the judgment of anybody?

Mr. J. LEROY JOHNSON. Yes; he audits the whole business.

Mr. MAY. How does he do that?

Mr. J. LEROY JOHNSON. He audits the whole claim and as to whether or not the settlement proposed to be made is O. K., and the payment on settlement in-

clude certain intangible factors that are based on the judgment and opinion of the negotiating parties.

Why is this problem so big? Here is why it is so big. Over 50 percent of the American industrial machine is geared into war work. Over 50 percent of the industrial workers are engaged in war industry. If we do not get this turned over quickly, if the contracts are not settled, if the warehouses do not take care of the surplus material, then these men cannot go to work because the employers have been paid for their war contracts and will not have the money to put their employees to work in order to provide the civilian demands that will be made of the very industries now in war production. If we do not get the war contracts settled, then we cannot quickly turn our men into the production of civilian goods for our ordinary civilian economy and get the men back to work. That is why I say this bill presents the best possibility of rapidly turning over our war machine and our war economy into civilian economy, thereby retaining employment for the millions and millions of men now working in the war industries.

Mr. CRAWFORD. Will the gentleman yield.

Mr. J. LEROY JOHNSON. I yield to the gentleman from Michigan.

Mr. CRAWFORD. Does this bill provide that the Comptroller General may audit the termination of a contract after a tentative termination, we will say, has been made and settlement arrived at? Can he, as the result of an audit, go back and open up that case in the absence of fraud?

Mr. J. LEROY JOHNSON. No. This bill provides, in section 16, that after final settlement he may audit as to whether or not the settlement payments to the war contractor were made in accordance with the settlement and whether the record transmitted about it warrants a reasonable belief that fraud exists. That is as far as he should be allowed to go.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HANCOCK. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. J. LEROY JOHNSON. Mr. Chairman, in determining whether there is fraud I believe that he should have that field to himself.

Mr. CRAWFORD. So do I.

Mr. J. LEROY JOHNSON. He may ask for supporting evidence any available records or facts from the respective Departments involved—War, Navy, Maritime Commission, or what not—and also from the contractor. The reference I made to settlement by the Comptroller General was in reference to the bill that it is proposed to present as an amendment to this bill which gives the final say to him; therefore makes all settlements of the War Department, and the other 22 agencies, merely tentative until the Comptroller General passes upon the particular claim. In the Lockheed plant last October the Comptroller General was 12 months behind in settlement.

They had \$128,000,000 worth of contracts and there were \$62,000,000 worth of claims still pending for which that company had not been paid. This illustrates how his cumbersome machinery, which was not intended for this kind of a job, cannot do the work, and why I believe the present bill will do the work.

Mr. DURHAM. Will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield to the gentleman from North Carolina.

Mr. DURHAM. Have those accounts ever been submitted to the General Accounting Office?

Mr. J. LEROY JOHNSON. Yes. That is what Mr. Shaw said.

Mr. CRAWFORD. Can the Comptroller General, under the bill the gentleman is now discussing, reopen a case after settlement for any purpose other than fraud?

Mr. J. LEROY JOHNSON. I do not think he can; no.

Mr. CRAWFORD. Does the gentleman know of any way to more quickly destroy American industry than to permit him to do so?

Mr. J. LEROY JOHNSON. No.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I yield 8 minutes to the gentleman from Louisiana [Mr. Brooks].

Mr. BROOKS. Mr. Chairman, I want to reiterate one thing that has been said here this afternoon; that is, I want prompt, efficient, and fair settlement of every terminated contract as prompt as it can be settled, but in doing so, Mr. Chairman, I want an honest, fair settlement made of each terminated contract.

I have heard a great deal said in reference to the emergency, the need of prompt termination, and the need for an orderly and proper transition into peacetime endeavor in order to maintain employment in the peace that follows this war. With all of that, I agree wholeheartedly. But I likewise feel that no settlement is fair to the United States of America that is not properly considered before the settlement is made. I would like to hear more said about the rights of the taxpayer and the rights of the Government in this discussion today.

Mr. Chairman, the Comptroller General's Office was set up after about 4 years of almost continuous debate in the House and in the Senate of the United States. I have gone back and reviewed the CONGRESSIONAL RECORDS, which indicated the reasons in the minds of the authors of this measure and the reasons in the minds of the Members of the House and Senate at the time this act was passed. Anyone who takes the trouble to go back and refresh his mind, if he was serving at that time, he will remember and read those hearings for the first time, he will see the very reason and purpose of putting in the Comptroller's office was to take care of a situation like this. I have here comment after comment from the newspapers throughout the United States in 1919, 1920, 1921, and succeeding years as to the great scandals that occurred in connection with war contracts during the last war. In that same period the debates in Con-

gress were paralleling the headlines in the newspapers—all with one purpose, the setting up of a budget bureau to prevent waste and extravagance, and the General Accounting Office to prevent fraud and wrongdoing against the Government and the taxpayer.

Now, after years of debate which culminated in the establishment of the Comptroller General's Office for the one purpose of checking accounts before payment is made, we come here and some of us speak for and support a bill which cuts him off from the opportunity to fully check into these terminated contracts, either before or after settlement.

Mr. WALTER. Will the gentleman yield?

Mr. BROOKS. I am sorry, I have not time.

Mr. WALTER. The gentleman is misstating the bill.

Mr. BROOKS. Mr. Chairman, the time to reach fraud and wrongdoing is at the time the wrongdoing occurs. If I were a contracting officer in the War or Navy Department, the Maritime Commission, or any other of the 27 contracting agencies terminating these contracts, I would encourage and hope for some one like the Comptroller General's Office sitting in on the proceedings and advising me in reference to the termination of these contracts. I would welcome this preaudit, if you want to call it that, this preexamination, if you want to call it that, as a protection to me as an honest contracting officer trying to do a good job in efficiently terminating contracts for the Government and the people of the United States.

Mr. J. LEROY JOHNSON. Will the gentleman yield?

Mr. BROOKS. I yield to the able and distinguished gentleman from California.

Mr. J. LEROY JOHNSON. Does the gentleman believe that mere auditing will ever detect a substantial fraud?

Mr. BROOKS. I may say to my good friend in answer to his question that after years of debate the House and Senate decided that the establishment of the Comptroller General's Office was the way to handle the job. That office has been running for 24 years and I think it has been run as an efficient organization and has established confidence in Government financing and accounting.

I think that the establishment of the office at the time it was set up back there in the early twenties resulted in restoring public confidence in the Government of the United States.

Mr. J. LEROY JOHNSON. Was it not primarily designed to furnish a guide for Congress, and an orderly procedure for having accounting, so that the Congress could go in and see how they were paid, and not primarily to catch fraud?

Mr. BROOKS. The gentleman's opinion differs from my conclusions. To my mind, the reason the Comptroller General was not given full power to go in and check and examine these accounts before payment was made is that this office was established too late to prevent the great troubles arising out of the last war. The frauds and the scandals had all been completed, and it was too late to give the Comptroller General the power

to prevent what had already occurred.

Mr. JACKSON. Mr. Chairman, will the gentleman yield?

Mr. BROOKS. I yield to the gentleman from Washington.

Mr. JACKSON. I wonder if the existence of the General Accounting Office is not some deterrent to Government agencies spending money, and if they are not more careful about spending it because they are being checked on.

Mr. BROOKS. That was the very purpose for which it was created and for the purpose of protecting the Government and the taxpayers against fraud, waste, extravagance, and all of those things, and especially at that time to restore and reestablish confidence in Government accounting methods.

(Mr. BROOKS asked and was given permission to revise and extend his remarks.)

Mr. SUMNERS of Texas. Mr. Chairman, I yield 7 minutes to the gentleman from Tennessee [Mr. KEFAUVER].

Mr. HANCOCK. Mr. Chairman, I yield the distinguished gentleman an additional 5 minutes.

The CHAIRMAN. The gentleman from Tennessee [Mr. KEFAUVER] is recognized for 12 minutes.

Mr. KEFAUVER. Mr. Chairman, as has been said so many times this afternoon, I doubt if any legislation presented during this term will be of greater importance than the bill we are now considering. There are many aspects of the matter of reconversion which are crying for attention. There is this matter of settling terminated war contracts. There is also the problem of disposing of surplus property which the Army and the Navy and other agencies may have on hand now and when the war is won. Then there is the task of taking care of the human aspects of reconversion, of furnishing some additional unemployment benefits, or some provisions to take care of people who may be thrown out of work, and who are unable to take care of themselves or to find employment.

Of course, another feature of the problem of looking after and giving the best break possible to returning war veterans has been taken care of to a considerable extent, under the G. I. bill of rights. I was disappointed that it was not possible, under the legislative set-up we are here presented with, to include in this bill a title to handle the disposition of surplus property, and also that we could not include provisions in this bill to take care of the human aspects of reconversion and demobilization. But the legislative program had developed so that contract termination came up first. Most complete hearings have been had on this aspect of the problem. Hearings are still being held on the unemployment features and on the matter of disposing of surplus property, and I am not certain that the Committee on the Judiciary has jurisdiction of those aspects of reconversion. We would not have been within our rights in placing titles in this bill to take care of some features that we do not have jurisdiction of. As for me, however, I think legislation dealing with the human elements along the lines

of the Kilgore bill should be passed at the earliest possible time.

During my time in Congress perhaps more testimony has been taken on this matter than any I have known of. Testimony has been taken before the Committee on Military Affairs over a period of a year and a half. Hearings have been held by the Committee on Naval Affairs. Of course, testimony has been taken by the Post-war Economic Policy and Planning Committee. They have all had important and well-qualified witnesses appear before them. The subcommittee of the Committee on the Judiciary participated in hearings with the Committee on Military Affairs of the Senate over a long period of time. The very distinguished, able Member, and lawyer, the gentleman from the State of Iowa [Mr. GWYNNE] and I sat with the Committee on Military Affairs of the Senate in these hearings. I think it is well that all of these hearings have been held. Although this may be a very technical and difficult problem, one involving many delicate points of law, the Members of the House generally, by virtue of the fact that so many committees have participated in the consideration of the question, are unusually well versed with all the angles involved and have great knowledge of the problems presented.

I feel in a great and involved matter of this kind, that instead of having so many hearings before so many committees, and instead of having the Comptroller General, the Secretary of War, the Under Secretary of War, Mr. Hancock, and other public officials appear before all of the committees, it would be very useful in a great issue of this nature if they could appear and explain the questions involved in contract termination before all of the Members here on the floor of the House. It would certainly save these busy executives much time. All of the Members could then be currently advised, the passage of the legislation would be expedited and a better result would be attained. Would it not be helpful if many months ago Mr. Warren, Mr. Baruch, Mr. Stimson, and others had been permitted to discuss with the whole membership the importance of and the intricate points involved in contract termination? It would certainly save everybody a lot of time and save a lot of wrangling and a lot of jealousies in the committees. However, we have no procedure set up to do that. This is an instance where a personal appearance of an executive on the floor, before all of the Members of the House, could certainly do a great deal to acquaint the Members of the House with the problems involved. Sometime, if we are to have responsive government, a procedure of this kind will be inaugurated. It must be done.

Mr. JACKSON. I understand that our distinguished colleague has a resolution pending which would amend the rules of the House to take care of that situation.

Mr. KEFAUVER. The gentleman is correct. There is a resolution pending, House Resolution 327, before the Rules Committee, and although I have made request dozens of times of the chairman of the Rules Committee for a hear-

ing, and other Members have expressed great interest in the resolution, and have also asked permission to testify, the chairman of the Rules Committee has the matter locked up tight, and we cannot even get a hearing before that distinguished committee. The will of the House, in my opinion, is being thwarted by the refusal of the Rules Committee to act. We cannot even get a chance to present our case.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. KEFAUVER. I yield to the gentleman from Kentucky.

Mr. MAY. In view of the fact that there has been a great deal of confusion engendered in the procedure here by the appointment of the Post-war Economic Policy and Planning Committee and others, and the fact that the House Committee on Military Affairs for more than 100 years has been the war policy committee, does not the gentleman think it would have been better from the beginning to have allowed that committee, that handles all war legislation, to consider the subject instead of scattering it around over the Congress?

Mr. KEFAUVER. I will say to the gentleman from Kentucky, if there was ever a piece of legislation introduced in the Congress that involved the legal rights of the government of industry and of the individuals concerned, it has not been called to my attention. And if there was legislation that had intricate legal questions involved in it, it is this legislation. If a bill of this kind is not to be referred to the Judiciary Committee, then I do not know what function the Committee on the Judiciary has to perform. This legislation involves the legal rights, obligations, and duties of government, corporations, and individuals. It defines the jurisdiction of courts in connection therewith. It fixes penalties. No one can question the correctness of this bill being referred to the Committee on the Judiciary. No other committee could possibly have jurisdiction.

I do want to say, however, that the gentleman's committee held excellent hearings on the subject, which are of value to the Members of Congress. I read the hearings. They did a great job in considering the problem.

I think I should also say that the chairman of the Committee on Naval Affairs has demonstrated a very generous spirit in not quibbling about the jurisdiction of the committee that has the legislation under consideration. The chairman and the members of the Committee on Military Affairs have also demonstrated an admirable spirit in that connection, and are perfectly willing to discuss the bill on its merits without regard to any dispute between the committees.

I was present when legislation on this subject was first before the Committee on Rules and I intended to make a statement if I had been given an opportunity. I intended to tell the members of the Rules Committee that I thought that this was a matter over which the Committee on the Judiciary should have jurisdiction but that certainly the passage of legislation was the paramount consideration

and that in any event the House should pass a bill at an early date regardless of which committee it came from.

Mr. ROLPH. Mr. Chairman, will the gentleman yield?

Mr. KEFAUVER. I yield to the gentleman from California.

Mr. ROLPH. The gentleman from Tennessee has given this subject a great deal of study, and I have been particularly interested in his remarks. May I ask him how this legislation will affect small business? In the San Francisco Bay area there are many firms that are vitally interested in this matter because many of them are small concerns that have been active in the war effort. I would appreciate it very much if the gentleman would elaborate on that point.

Mr. KEFAUVER. I shall be glad to try to elaborate on it.

Mr. BROOKS. Mr. Chairman, will the gentleman yield?

Mr. KEFAUVER. I yield to the gentleman from Louisiana.

Mr. BROOKS. In reference to what the gentleman has just mentioned, may I say that this legislation has been touched upon and worked upon by fully six committees of the House and Senate, and has developed from 17 lines to a bill that now has some 96 pages. Perhaps its varied course through the several committees has helped the bill.

Mr. KEFAUVER. I agree with the gentleman. It is fortunate that so many committees could have all of these excellent witnesses before them, because it has acquainted many more Members of the House with the problems than if they had appeared before only one committee. But it would have acquainted many more Members with the problems if they could have appeared before the whole House and in a general sort of way told all the Members of the House about the facts and the paramount necessity of early and intelligent legislation on the subject.

Mr. BROOKS. However, it has resulted in a tremendous duplication of effort.

Mr. KEFAUVER. That would have been avoided if the plan I am proposing had been followed.

The gentleman from California has asked about the small-business features of this bill, and that has been a matter of great concern to me, I may say to the gentleman. Of course, the bill provides that a small contractor or a subcontractor or any contractor may get a settlement. The bill as it passed the Senate made it only permissive to the contracting agency to make settlements with the subcontractors, and the section was rewritten so as to make it mandatory upon the contracting agency to see that the money got to the subcontractor in the event there was good reason to believe that because of insolvency or for some other reason the subcontractor might not be paid.

Also, the bill as to the little fellow has been strengthened by giving the Smaller War Plants Corporation some additional jurisdiction to make interim financing loans and guaranties. The bill as it passed the Senate did not give the

Smaller War Plants Corporation that authority. I personally would like to have seen them given more authority, but we did the best we could in writing in the provision I have just described. The bill is not perfect. There are many questionable provisions. I do not think it strong enough even with the amendments to give the little fellow the protection he needs. On March 13, 1944, I introduced H. R. 4392 which contained cost standards, required an audit where the contractor's books were unreliable, and my bill contained many other features for the protection of the Government and of the small contractor. Many of the provisions of my bill have been adopted by the committee and incorporated in this bill. Others have not been included. But this is a fairly satisfactory measure. In conference it can be and probably will be strengthened.

(Mr. KEFAUVER asked and was given permission to revise and extend his remarks in the RECORD.)

The CHAIRMAN. The Clerk will read the bill for amendment.

Mr. MAY. Mr. Chairman, it was my understanding that when general debate was concluded this evening the Committee would rise. I have an important amendment which I expect to offer at the end of the reading of the first section. For that reason I ask that the reading of the bill go over until tomorrow morning.

Mr. COOPER. The amendment will be just as much in order tomorrow morning as it is now.

The CHAIRMAN. The gentleman will have the opportunity to offer the amendment at the proper time.

The Clerk will read.

The Clerk read as follows:

OBJECTIVES OF THE ACT

SECTION 1. The Congress hereby declares that the objectives of this act are—

(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement;

(c) to assure uniformity among Government agency in basic policies and administration with respect to such termination settlements and interim financing;

(d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;

(e) to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;

(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

Mr. SUMNERS of Texas. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. HART, Chairman of the Committee of

the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, had come to no resolution thereon.

EXTENSION OF REMARKS

Mr. JACKSON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein certain quotations.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. MORRISON of Louisiana. Mr. Speaker, I have a special order to address the House today for 30 minutes. I ask unanimous consent that in lieu of that I be permitted to address the House tomorrow for 30 minutes at the conclusion of the legislative program of the day and following any special orders heretofore entered.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

EXTENSION OF REMARKS

Mr. MORRISON of Louisiana. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a report in connection with House Resolution 16. This exceeds the limit, and I have an estimate that it will cost approximately \$100, but I ask that notwithstanding that fact it be printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. KEFAUVER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a brief newspaper article.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. MYERS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in two instances and include therein two newspaper articles.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. DILWEG. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an address delivered by Maj. O. W. Clark, Assistant Administrator of the Veterans' Administration, before the members of the Touchdown Club on June 13, 1944.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. WASIELEWSKI. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein a resolution adopted by the Common Council of the City of South Milwaukee.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. VURSELL. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD briefly on four different subjects.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. HANCOCK. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today and include some quotations from the Baruch report.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CANFIELD. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the RECORD and include therein an article by Mr. Frank C. Waldrop appearing in this morning's issue of the Washington Times-Herald.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

[The matter referred to appears in the Appendix.]

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. HALE, for 10 days, on account of official business.

To Mr. CHIPERFIELD, for an indefinite period, on account of illness in family.

HOOR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

Mr. MAY. Mr. Speaker, reserving the right to object, I would like to inquire of the gentleman from Massachusetts [Mr. McCORMACK] what the order of procedure or business will be tomorrow.

Mr. McCORMACK. Mr. Speaker, the first order of business will be the deficiency appropriation bill, after which, if that is disposed of in time, debate will continue on the war contract termination bill.

June
17.

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 19, 1944, for actions of Saturday, June 17, 1944)

(For staff of the Department only)

CONTENTS

Adjournment.....6	Labor, farm.....22	Reclamation.....28
Alcohol.....31	Lands, public.....3	Research.....3,31
Appropriations.....1,3	Loans, farm.....1,15	Rubber.....31
Bees.....9	Meat inspection.....16	Small business.....12
Demobilization.....30	Personnel 1,2,7,10,16,17	Soil conservation.....3
Electrification.....3	Post-war planning....14,30	Taxation.....11
Extension work.....8	Price control.....8,20	Transportation.....19,26
Fisheries.....3,18,27	Priorities.....24	Veterans.....14,15,29
Food distribution.....23	Property management....30	Virgin Islands.....4
Forestry.....1,3	Puerto Rico.....5	War contracts.....2,13,30
Grade labeling.....1	Purchasing.....2,13,25,30	Water conservation...3,28
Grazing.....3	Rationing.....21	

HOUSE

1. SECOND DEFICIENCY APPROPRIATION BILL. Passed with an amendment, to correct certain numbering, this bill H.R. 5040 (pp. 6164-78). Rejected amendments by Rep. Marcantonio, N.Y., to strike out the prohibition against any OPA grade-labeling activity (pp. 6174-7); by Rep. Vursell, Ill., 51-73, to reduce OPA appropriations in this bill from \$177,750,000 to \$169,500,000; and by Rep. Ploeser, Mo., 45-65, to strike out the provision which exempts OPA from following the normal practice of Government agencies when using stenographic reporting services (p. 6177). Rep. Cannon, Mo., discussed most of the bill's provisions (p. 6165-70). The Forest Service and the Federal Farm Mortgage items were not discussed.
2. WAR CONTRACT TERMINATION BILL. Continued debate on this bill, S. 1718, (pp. 6178-214). Agreed to Rep. Satterfield's (Va.) amendment to prohibit any person serving as a procurement officer or in a procurement capacity during the period beginning Dec. 7, 1941 and ending 6 months after the present war from, within a period of 2 years following his discharge from such duties, accepting or soliciting employment in the presentation of claims against the U.S. arising out of contracts for the procurement of supplies, materials, etc., for any Government agency which was pending or entered into while the said officer was associated therewith (pp. 6211-2). Rejected Rep. May's (Ky.) substitute amendment (pp. 6178-94). and Rep. Johnson's (Calif.) amendment, 23-62, to provide specific authority for the Director of Contract Settlement to participate in the actual negotiations in the termination of war contracts (pp. 6203-6).
3. INTERIOR DEPARTMENT APPROPRIATION BILL. Received the conference report on this bill, H.R. 4679 (pp. 6214-8). The conference report provides: \$115,000 for range improvements (House, \$105,000; Senate \$125,000); \$8,500 for leasing grazing lands (House, \$8,000; Senate, \$9,000); \$1,200,000 for soil and moisture conservation operations (House figure, Senate, \$1,300,000); \$525,000 for forest-

fire protection (House figure; Senate, \$530,000); \$290,000 for salaries and expenses, Office of Fishery Coordination (House figure; Senate, \$300,000); \$500,000 for General Land Office's public-land surveys (House figure, Senate, \$530,000); \$174,000 for salaries and expenses of land offices (House figure, Senate, \$175,000); \$300,000 for timber operations on the O&C grant lands (House figure; Senate, \$303,500); \$45,000 for range improvements on public lands (House, \$40,000; Senate, \$50,000); House figures for most of the power projects; \$1,700,000 for water conservation and utilization projects (House, \$1,400,000; Senate, \$2,000,000) and strikes out the House provision for transfer of such functions of this Department to Interior; \$1,106,278 for propagation of food fishes (House, \$1,197,555; Senate, \$1,115,000); \$193,715 for biological investigations (House figure, Senate, \$243,715); prohibits use of funds of this act in connection with the Jackson Hole National Monument; and strikes out the prohibition against use of these funds to pay the salary of any male person between the ages of 18 and 30, qualified for military duty.

The following items were reported in disagreement: Relating to the transfer of the Virgin Islands agricultural experiment station (House conferees will recommend concurrence with an amendment), the Tucumcari project (House conferees will recommend concurrence with an amendment), Legert-Altus project (House conferees will recommend concurrence with an amendment), synthetic liquid fuels (House conferees will recommend concurrence with an amendment), and payment of overtime in connection with Federal aid in wildlife restoration funds (House conferees will recommend concurrence in the Senate amendment).

4. VIRGIN ISLANDS. Insular Affairs Committee reported without amendment H.R. 5029, to assist in the internal development of the Virgin Islands by the undertaking of useful projects therein (H. Rep. 1673) (p. 6218).
5. PUERTO RICO. Insular Affairs Committee submitted/ the third interim report on political, economic, and social problems in Puerto Rico (p. 6218).
6. ADJOURNED until Mon., June 19 (p. 6218).

SENATE

NOT IN SESSION. Next meeting, Mon., June 19.

BILL INTRODUCED

7. PERSONNEL; COMPENSATION. By Rep. McMillan, S. C., H.R. 5047, to amend the U.S. Employees' Compensation Act of Sept. 7, 1916, so as to permit an award of compensation for death, and payment of burial expenses, without regard to the lapse of time between the injury and death. To Judiciary Committee. (p. 6218.)

ITEMS IN APPENDIX

8. 4-H CLUBS. Rep. Talle, Iowa, inserted J.L.Harrison's letter, explaining that no change from last year's price regulations has been made to apply to 4-H Club animals (p. A3346).
9. BEES. Hon. Dimond, delegate from Alaska, inserted a news item telling of Pan American World Airways successfully transporting 10,000 bees to Alaska (p.A3345).
10. PERSONNEL; OVERTIME PAY. Extension of remarks by Rep. Clason, Mass., favoring H.R. 4406 to authorize "white-collar" government employees to be paid true time and a half overtime instead of the present 21.6 percent rate (pp. A3343-4).

Mr. CANNON of Missouri. Mr. Chairman, I ask for a vote on the pending amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. MARCANTONIO].

The amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. VURSELL].

Mr. VURSELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. VURSELL: Page 8, line 13, strike out "\$177,750,000" and insert in lieu thereof "\$169,500,000."

Mr. VURSELL. Mr. Chairman, my amendment simply provides that we give the O. P. A. for their over-all picture only the same amount of money they had last year, which was \$169,500,000. That would reduce the amount of the bill brought in by the committee, and, in my judgment, it would not hurt the feelings of many of the members on the committee and would save the country \$8,250,000, which is quite a sizeable fund—a fund that we might need some day to build hospitals for the boys coming back to this country—the boys who are overseas trying to save this country. I do not think that the Members want to let this bill go to the country without raising their voices and without an opportunity to hold the amount down to what it was before. I want the people of my district to know that it is my judgment if the O. P. A. cannot hold prices down and do a respectable job of enforcement with \$169,500,000, I am not willing to trust them to do it with \$177,750,000. I want the Nation to know that I am opposed to giving the O. P. A. more money at this time. Shortly we will have to vote. We should have an hour, in my judgment, to discuss this item, and in an hour we could save \$8,250,000. I know there are many Members interested in it, and since the purpose and intent of this Congress was misrepresented to the people of the Nation the other night by Administrator of O. P. A. Chester Bowles with references and innuendoes that should not have been directed to the people of the Nation, I do not think this Congress should supinely shirk from its duties because of any danger of false impressions being given to the country regarding the object of the Congress in its desire to hold the price line. I think that this will give a proper rebuke to that sort of national lobbying by one whose salary we appropriate. We are asked today to give him \$8,250,000 more than he received before he made that speech the other night over the radio, which speech was not justified on the facts, and a direct and unfair slap against the Congress of the United States.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. VURSELL].

The question was taken; and on a division (demanded by Mr. VURSELL) there were—ayes 51, noes 73.

So the amendment was rejected.

Mr. PLOESER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PLOESER: Page 7, line 21, after the semicolon, strike out "contract stenographic reporting services without regard to said section 3709."

Mr. PLOESER. Mr. Chairman, this is a very simple amendment. It merely strikes out the provision which exempts the O. P. A. from following the normal practice of Government agencies when using stenographic reporting services, as differentiated from normal stenographic services. The usual practice is to ask for bids, and the lowest bidder gets the job. The wording in this bill would exempt the O. P. A. from the necessity of following the general practice in the Government. My amendment strikes out that exception so that they will do business the same way everybody else has to do business.

Mr. RIZLEY. Mr. Chairman, will the gentleman yield?

Mr. PLOESER. I yield to the gentleman from Oklahoma.

Mr. RIZLEY. What is the purpose of putting that exception in?

Mr. PLOESER. I do not know.

Mr. CANNON of Missouri. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CANNON of Missouri. Mr. Chairman, this provision is indispensable to the adequate administration of this law, for the reason that competent stenographic service of this character can now be secured only with the greatest difficulty, and to refuse to include this provision would mean that in some instances it would be difficult to provide clerical service for a hearing and give both the defendant and the Government an opportunity to have an adjudication of their case under customary procedure.

There has been no objection to this procedure, and no reason therefor has developed in the operation of this provision in the other services to which it has been applied, because invariably the cost of the stenographic service is standardized and the customary schedule has been adhered to. There have been no instances of abuse of any kind, so the only effect of denying this provision which has been made in all similar bills up to this time would be to interfere with the ordinary administration of the law.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri [Mr. PLOESER].

The question was taken; and on a division (demanded by Mr. PLOESER) there were—ayes 45, noes 65.

So the amendment was rejected.

The Clerk read as follows:

SEC. 303. The President shall direct the Bureau of the Budget to maintain a continuous study of appropriations and contract authorizations granted for the national defense, war agencies, and the prosecution of the present wars for the purpose of submitting for the consideration of Congress, when the state of the wars make such action possible, a list showing the condition of the balances of each of such appropriations and contract au-

thorizations together with his recommendations for the repeal of such of those funds or portions thereof as are deemed no longer required for the purposes for which they were granted.

Mr. CANNON of Missouri. Mr. Chairman, among the notable changes in administrative procedure of the Committee on Appropriations made during the present Congress is the standardization of the qualification of appointees to the clerical staff of the committee. Since the establishment of the Committee on Appropriations vacancies on its staff have been filled by the chairman and no appointee has ever been removed by any succeeding chairman. This method of filling vacancies has been singularly successful. But as the work of the committee has increased in recent years and the burden on the staff has grown correspondingly, it was felt that men should be selected who have had previous experience in budgeting and a more intimate knowledge of departmental routine in order to be prepared to take over the duties devolving upon them from the beginning rather than having to go through long periods of apprenticeship and probation.

With this in view a special subcommittee was appointed to study the matter and draw up tentative standards of qualification and submit them to the committee. This report when submitted to the committee was approved and the subcommittee was directed to prepare a final draft of requirements, qualifications and procedure which was adopted by the unanimous vote of the Committee on Appropriations on June 16, 1944, as follows:

COMMITTEE STAFF

REPORT OF THE SPECIAL SUBCOMMITTEE ON COMMITTEE STAFF SUBMITTED TO THE COMMITTEE EN BANC JUNE 16, 1944

The special subcommittee appointed by the chairman pursuant to the authority of the committee at its meeting on April 26, 1944; to consider the subject of establishing minimum requirements for appointments to the committee staff, a system of promotion for staff members, and other aspects of a program for staff improvement, submits the following recommendations:

1. That the chairman be authorized to appoint a Standing Subcommittee on Committee Staff Personnel to consider all applicants and their qualifications and make recommendations to the chairman for appointment by him in accordance with the standing rules of the House.

2. That in the consideration of applicants and the making of such recommendations the subcommittee shall be guided by, but not limited to, the following minimum requirement qualifications for applicants as additions to the staff for positions of clerk and assistant clerks assigned to subcommittees:

(a) They should be 25 years of age or older.
(b) They should have a degree in law or accountancy or the equivalent of either or both in education and experience.

(c) They should have had at least 3 years' experience in budget work in Federal, State, or municipal government, or equivalent experience in private enterprise.

(d) The minimum entrance salary for applicants with the foregoing qualifications shall not be less than \$3,800.

3. That the subcommittee consider and report on the advisability of changing the designation of positions of clerk of the com-

mittee and assistant clerks assigned to subcommittee to titles more descriptive of the type of service rendered and specifications of the work.

4. That the subcommittee consider and report on the subject of a scale and plan of automatic salary advancement for committee staff with a view to retention of experienced and trained personnel and offering of inducement to experienced and trained personnel to join the staff with assurance of salary advancement commensurate with departmental opportunity.

Pursuant to the authorization thus conferred, the chairman of the committee thereupon appointed a standing subcommittee on committee staff personnel, consisting of the three ranking majority members and the three ranking minority members of the Committee on Appropriations.

The responsibilities of the Committee on Appropriations have expanded with the expanding activities of the Federal Government. It exercises what amounts in some respects to veto powers, and has on occasion nullified enactments by denying funds with which to instrument them when changing conditions warranted reconsideration. It follows that the committee requires on its staff men of exceptional ability and training. In my opinion, Mr. Marcellus C. Shield, the clerk of the Committee on Appropriations, has a more comprehensive knowledge of the fiscal affairs of the Nation than any man living. I do not think anyone would challenge that statement. He has probably rendered greater service to the Nation in the financing of the war than any one member of the Cabinet. In order to secure succession to this position of men as nearly qualified as the present incumbent, the committee has adopted this departure in a long-established procedure dating back to 1865.

(Mr. CANNON of Missouri asked and was given permission to revise and extend his remarks in the RECORD.)

The Clerk concluded the reading of the bill.

Mr. CANNON of Missouri. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with an amendment, with the recommendation that the amendment be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker, having resumed the chair, Mr. BULWINKLE, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 5040) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1944, and for prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1944, and June 30, 1945, and for other purposes, had directed him to report the bill back to the House with an amendment, with the recommendation that the amendment be agreed to and that the bill as amended do pass.

Mr. CANNON of Missouri. Mr. Speaker, I move the previous question on the bill and the amendment thereto to final passage.

The previous question was ordered.

The SPEAKER. The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE TO PRINT

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection?

There was no objection.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 1479. An act providing for the suspension of certain requirements relating to work on tunnel sites; and

S. 1808. An act to authorize temporary appointment as officers in the Army of the United States of members of the Army Nurse Corps, female persons having the necessary qualifications for reappointment in such corps, female dietetic and physical-therapy personnel of the Medical Department of the Army (exclusive of students and apprentices), and female persons having the necessary qualifications for appointment in such department as female dietetic and physical-therapy personnel, and for other purposes.

BILL PRESENTED TO THE PRESIDENT

Mr. KLEIN, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H. R. 2711. An act for the relief of Mrs. Mildred Maag.

EXTENSION OF REMARKS

Mr. TABER. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. PLOESER] be permitted to extend his remarks in the Appendix of the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. WIGGLESWORTH. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made on this bill and to include a letter.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CARLSON of Kansas. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the RECORD and to include an article which recently appeared in the Country Gentleman, entitled "Program for Farm Stability," by our colleague the gentleman from Kansas [Mr. HOPE].

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. WOODRUFF of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. GILLIE. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from Minnesota [Mr. O'HARA] may revise and extend his remarks in the Appendix of the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. GILLIE. Mr. Speaker, I ask unanimous consent that I may extend my remarks in the Appendix of the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. O'KONSKI. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in two instances on two subjects and to include in one an article and in the other a statement.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

CONTRACT SETTLEMENT ACT OF 1944

Mr. SUMNERS of Texas. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (S. 1718) to provide for the settlement of claims arising from termination of war contracts, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, with Mr. HART in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose last evening section 1 of the bill had been read. Are there any amendments to be offered to section 1 of the bill?

Mr. MAY. Mr. Chairman, I offer an amendment, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. MAY: Strike out all of the committee substitute and insert the following as a substitute for the same:

"OBJECTIVES OF THE ACT

"SECTION 1. The Congress hereby declares that the objectives of this act are—

"(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

"(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate

interim financing until such final settlement;

"(c) to assure uniformity among Government agencies in basic policies and administrative with the foregoing objectives to settlements and interim financing;

"(d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;

"(e) to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;

"(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

"SURVEILLANCE BY CONGRESS

"SEC. 2. (a) To assist the Congress in appraising the administration of this act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the act.

"(b) In January, April, July, and October of each year the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his duties and authority under this act, the status of contract terminations, termination settlements, and interim financing and such other pertinent information on the administration of the act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

"DEFINITIONS

"SEC. 3. As used in this act—

"(a) The term 'prime contract' means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term 'prime contractor' means any holder of one or more prime contracts.

"(b) The term 'subcontract' means any contract, agreement, or purchase order heretofore or hereafter entered into to perform all or any part of the work, or to make or furnish any material to the extent that such material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term 'subcontractor' means any holder of one or more subcontracts.

"(c) The term 'war contract' means a prime contract or a subcontract; and the term 'war contractor' means any holder of one or more war contracts.

"(d) The terms 'termination', 'terminate', and 'terminated' refer to the termination or cancellation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

"(e) The term 'material' includes any article, commodity, machinery, equipment, accessory, part, component, assembly, work in process, maintenance, repair, and operating supplies, and any product of any kind.

"(f) The term 'Government agency' means any executive department of the Government, or any administrative unit or subdivision thereof, or any independent agency or corporation owned or controlled by the United States, in the executive branch of the Government, and includes any contracting agency, but does not include the General Accounting Office.

"(g) The term 'contracting agency' means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board.

"(h) The term 'termination claim' means any claim or demand by a war contractor for fair compensation for the termination of any war contract and any other claim under a terminated war contract, which regulations prescribed under this act authorize to be asserted and settled in connection with any termination settlement.

"(i) The term 'interim financing' includes advance payments, partial payments, loans, discounts, advances, and commitments in connection therewith, and guaranties of loans, discounts, advances, and commitments in connection therewith and any other type of financing made in contemplation of or related to termination of war contracts.

"(j) The term 'Director' means the Director of Contract Settlement.

"(k) The term 'person' means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

"(l) The term 'termination inventory' means any materials (including a proper part of any materials common to two or more contracts), properly allocable to a terminated war contract, except any machinery or equipment subject to a separate contract specifically governing the use or disposition thereof.

"DIRECTOR OF CONTRACT SETTLEMENT

"SEC. 4. (a) There is hereby established the Office of Contract Settlement which shall be headed by the Director of Contract Settlement. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per year, and shall serve for a term of 2 years.

"(b) In order to insure uniform and efficient administration of the provisions of this act, the Director, subject to such provisions, by general orders or general regulations—

"(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this act; and

"(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this act.

"(c) The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section. Each Government agency shall carry out such orders and regulations of the Director expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary to carry out the policies, principles, methods, procedures, and standards prescribed by the Director. Any Government agency may issue such further regulations not inconsistent with the general orders or regulations of the Director as it deems necessary or desirable to carry out the provisions of this act.

"(d) The Director may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel in accordance with the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this

act. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may employ certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and contract with certified public accounting firms and qualified firms of engineers in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this act. The Director shall perform the duties imposed upon him through the personnel and facilities of the contracting agencies and other established Government agencies, to the extent that this does not interfere with the function of the Director to insure uniform and efficient administration of the provisions of this act.

"(e) All policies, principles, methods, procedures, and standards when prescribed by the Director pursuant to subsection (b) of this section, and all regulations when issued by any Government agency, pursuant to subsection (c) of this section, shall be published in the Federal Register.

"(f) There is hereby created a Contract Settlement Advisory Board, with which the Director shall advise and consult. The Board shall be composed of the Director, who shall act as its Chairman, and of the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the chairman of the board of directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the chairman of the board of directors of the Smaller War Plants Corporation, and the Attorney General or any alternate or representative designated by any of them. The Director shall request other Government agencies to participate in the deliberations of the Board whenever matters specially affecting them are under consideration.

"SEC. 5. (a) There shall be in the General Accounting Office a War Contracts Settlement Board (hereinafter called the 'Board') which shall consist of not less than three and not more than nine members, who shall be appointed by the Comptroller General of the United States. The Comptroller General shall designate one of the members as chairman.

"(b) There shall be in each State not less than one War Contracts Settlement Regional Board (hereinafter called 'Regional Board'), consisting of three members, who shall be appointed by the Comptroller General of the United States. The regional boards shall function under the supervision, directions, and control of the Board.

"(c) The Board shall have exclusive authority to prescribe the forms and evidence to be submitted to it or to the regional boards in support of termination claims. It shall prescribe the practice and procedure to govern proceedings before it and the regional boards and may distribute and assign the work of a regional board to any other regional board, as it deems necessary or desirable, or may itself act in such matters in which event its action will have the same effect as though taken by a regional board. The Board is authorized to prescribe such rules and regulations as it may deem necessary to carry out its duties and authority under this act. The Board and regional boards shall have power to administer oaths to witnesses, to make such investigations, hold such hearings and conferences, and require by subpoena the attendance of witnesses and the production of books, papers, documents, and other records, as deemed necessary."

"(d) To facilitate the performance of the duties imposed by this act on the Board and the regional boards, the Comptroller General is hereby authorized to employ at the seat of government and elsewhere such personal services as he may deem necessary. All ap-

pointments which the Comptroller General is authorized to make under this act may be made without regard to the civil-service laws and regulations, at rates of compensation to be fixed without regard to the Classification Act of March 4, 1923, as amended, and shall terminate not later than 2 years after the close of the present war. Any civilian employee of the United States Government having a classified civil-service status who is appointed to a position created for the purposes of this act shall not lose his civil-service status by reason of such appointment, and shall be restored to his former position or to a position of like seniority, status, and pay upon termination of his services under such appointment. Notwithstanding the provisions of any other law, retired officers of the Army, Navy, and Marine Corps shall be eligible for appointments to positions created for the purposes of this title without loss of retired status, but the payment of salary and retired pay to such persons shall be subject to the provisions of section 212 of the act of June 30, 1932, as amended (5 U. S. C. 59a).

"(e) All settlements authorized or required to be made by any contracting agency under this act (whether by agreement or by determination without agreement) shall be tentative only and shall not be binding on the United States until such settlement, together with all required supporting data, has been submitted to the appropriate regional board and has become final and conclusive as provided in subsection (f) or section 13, as the case may be.

"(f) Whenever a contracting agency has made a settlement, authorized or required by this act, by agreement, it shall forthwith submit such settlement, together with all required supporting data, to the appropriate regional board for approval by it or by the Board. Such settlement shall become final and conclusive on all parties thereto 6 months after its submission to the regional board for approval, unless within such 6 months, the Board or the regional board disapproves such settlement and so notifies the contracting agency and the war contractor. If the regional board or the Board disapproves such settlement under this subsection, it shall prepare a statement of its objections thereto and transmit such statement to the contracting agency and the war contractor with its notification of disapproval. Thereupon the contracting agency shall endeavor to make a final agreement with the war contractor containing the provisions to which the Board or regional board, as the case may be, did not make objection, provisions which meet the objections of the Board or regional board to the previous settlement, and no others.

"Sec. 6. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, to provide war contractors with speedy and fair compensation for the termination of any war contract, in accordance with and subject to the provisions of this act. Such fair compensation for the termination of subcontracts shall be based on the same principles as compensation for the termination of prime contracts.

"(b) Each contracting agency shall establish methods and standards, suitable to the conditions of various war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work under the terminated contract, or on any other equitable basis, as it deems appropriate. To the extent that such methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

"(c) In establishing, pursuant to subsection (b), the standards, methods, and bases for negotiating with respect to and for settling claims of war contractors, the following general factors with respect to costs to be allowed and disallowed in the settlement shall be considered in the case of fixed-price supply contracts, other than contracts under which the purchaser is not obligated to accept articles or services except as he may need or desire, and to the extent appropriate in the case of other contracts: *Provided*, That costs shall be allowed only to the extent reasonably necessary for the performance and settlement of and properly allocable to, the contract or contracts involved, and without duplication of any costs:

"(1) Full payment at the contract price shall be allowed for all completed items accepted by the contracting agency.

"(2) The reasonable cost of settling and paying termination claims under terminated subcontracts, including the claims which are common to the terminated contract and to other work of the contractor.

"(3) The cost of items of termination inventory.

"(4) An allowance for depreciation at appropriate rates on buildings, machinery, and equipment, and other facilities, including such amounts for obsolescence due to progress in the arts and other factors as are ordinarily considered in determining depreciation rates, but not including any amount for loss of the type covered by subparagraph (7).

"(5) General experimental and research expense to the extent consistent with an established pre-war program, or to the extent related to war purposes.

"(6) Costs of engineering and development and of special tooling, if the contractor protects any interests of the Government by transfer of title or by other means deemed appropriate by the contracting agency.

"(7) Loss on special facilities acquired solely for the performance of the contract, or the contract and other war contracts, to the extent authorized by regulations of the Director, on condition that the contractor protects the interests of the Government by transfer of title to the facilities or by other means deemed appropriate by the contracting agency.

"(8) (i) Rentals under leases clearly shown to have been made for the performance of the contract, or the contract and other war contracts, covering the period necessary for complete performance of the contract and such further period as may have been reasonably necessary; (ii) costs of reasonable alteration of such leased property made for the same purpose; and (iii) costs of restoring the premises, to the extent required by reasonable provisions of the lease; less (iv) the residual value of the lease; provided that the contractor has made reasonable efforts to terminate, assign, or settle such leases or otherwise reduce the cost thereof.

"(9) Advertising expense to the extent consistent with a pre-war program or to the extent reasonable under the circumstances.

"(10) In no event shall the aggregate of the amounts allowed under paragraphs (5), (6), (7), (8), and (9) exceed the amount which would have been available from the contract price to cover these items, if the contract had been completed, after considering all other costs which would have been required to complete it.

"(11) Interest on borrowings.

"(12) Reasonable accounting, legal, clerical, and other expenses necessary in connection with the termination and settlement of the contract and subcontracts thereunder, including expenses incurred for the purpose of obtaining payment from the Government only to the extent reasonably necessary for the preparation and presentation of settlement proposals and cost evidence in connection therewith.

"(13) Storage, transportation, and other costs incurred for the protection of materials acquired or produced for the contract or in connection with the disposition of such materials.

"(14) Such other items which the public interest and fair and equitable dealing require should be treated as costs.

"Costs of nonrecurring nature which arise from unfamiliarity with the products in that initial stages of production, such as high direct labor and overhead costs, including training, costs of excessive rejections, and similar items, shall be appropriately apportioned between the completed and terminated parts of the contract.

"The following shall not be included as elements of cost:

"(i) Losses on other contracts, or from sales or exchanges of capital assets, fees, and other expenses in connection with reorganization or recapitalization, antitrust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government (except as provided in paragraph (12) above); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

"(ii) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

"(iii) Expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

"(iv) Costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

"(v) Costs which, as evidenced by accounting statements submitted in renegotiation under the Renegotiation Act, were charged off during a period covered by a previous renegotiation if a refund was made for such period or to the extent that such charging off is shown to have avoided such refund.

"The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (c) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

"Where the small size of claims or the nature of production or performance or other factors make it impracticable to apply the principles stated in this subsection (c) to any class of settlements which are subject to this subsection (c), the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims. The aggregate amount of compensation allowed in accordance with this subsection (excluding amounts allowed under paragraphs (12) and (13) above) shall not exceed the total contract price reduced by the amount of payments otherwise made or to be made under the contract.

"(d) In order to carry out the objectives of this act, termination claims shall be settled by agreement to the maximum extent feasible.

"(e) Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of 2½ percent per annum for the period beginning 30 days after the date fixed for termination and ending with the date of final payment, except that (1) if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue for the period of such delay; (2) if interest for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so

waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder, and (3) if after delivery of findings by a contracting agency, the contractor appeals or sues as provided in section 13, interest shall not accrue after the thirtieth day following the delivery of the findings on any amount allowed by such findings, unless such amount is increased upon such appeal or suit. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis and subject to the same conditions as are applicable to a prime contractor.

"(f) Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

"(a) Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments to the war contractor on account of termination claims of subcontractors of such war contractor to such extent and in such manner as it deems necessary or desirable for the purpose of assuring the receipt of the benefit of such payments by the subcontractors.

"(b) The Director shall prescribe policies and methods for the settlement as a group, or otherwise, by any contracting agency of some or all of the termination claims of a war contractor under war contracts with one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. After consulting with the contracting agencies concerned, the Director may provide for assigning any war contractor to a contracting agency for such settlement, and such agency shall have authority to settle, on behalf of any other contracting agency, some or all of the termination claims of such war contractor.

"(c) Any contracting agency may settle directly termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. Any contracting agency undertaking to settle the termination claim of any subcontractor shall deliver to the subcontractor and the war contractor liable to him written notice stating its acceptance of responsibility for settling his claim and the conditions applicable thereto, which may include the release, or assignment to the contracting agency, of his claim against the war contractor liable to him; upon consent thereto by the subcontractor, the Government shall become liable for the settlement of his claims upon the conditions specified in the notice.

"(d) Any contracting agency may make settlements with subcontractors in accordance with any of the provisions of this act without regard to any limitation on the amount payable by the Government to the prime contractor.

"(e) If any contracting agency determines that in the circumstances of a particular case equity and good conscience require fair compensation for the termination of a war contract to be paid to a subcontractor who has been deprived of and cannot otherwise reasonably secure such fair compensation, the contracting agency concerned may nevertheless pay such compensation to him.

"INTERIM FINANCING

"Sec. 8. (a) It is the policy of the Government, and it shall be the responsibility of

the contracting agencies and the Director, in accordance with and subject to the provisions of this act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within 30 days after proper application therefor.

"(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guaranties in connection therewith, in contemplation of or related to termination of war contracts. Where interim financing is made by advance payments or partial payments, it shall, insofar as practicable, consist of the following:

"(1) An amount equal to 100 percent of the amount payable, at the contract price, on account of acceptable items completed prior to the termination date under the terms of the contract, or completed thereafter with the approval of the contracting agency; plus

"(2) An amount equal to 90 percent of the cost of raw materials, purchased parts, supplies, direct labor, and manufacturing overhead allocable to the terminated part of the war contract; plus

"(3) A reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated war contract not included in the foregoing; plus

"(4) Such additional amounts, if any, as the contracting agency deems necessary to provide the war contractor with adequate interim financing.

"(5) In lieu of the costs referred to in clauses (2) and (3) of this subsection, where a detailed ascertainment of such costs is not suitable to the conditions of any war contractor and is apt to cause delay in the obtaining of interim financing by him, that portion of such interim financing shall be equal to an amount not greater than 90 percent of the estimated costs which are allocable to the terminated part or parts of the war contract or group of war contracts, and are ascertained in accordance with such methods and standards as the director shall prescribe.

"(6) There shall be deducted from the amount of such interim financing any unliquidated balances of advance and partial payments theretofore made to such war contractor, which are allocable to the terminated war contract or the terminated part of the war contract.

"(c) The director shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made, including the use of standard forms for agreements with respect to such interim financing to the extent practicable; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speedy interim financing to subcontractors of the war contractor.

"(d) The obligation to pay and penalty imposed and to repay an interim financing made or assumed by the United States under this act shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).

"(e) Any contracting agency may allow any advance payments, previously made or authorized by it in connection with the performance of a war contract, to be used for payments and expenses related to the termination settlement of such contract, upon such terms and conditions as it deems necessary or appropriate to protect the interest of the Government.

"(f) No interim financing shall be made by any contracting agency under this act unless the terms of such financing provide for the liquidation by the war contractor of all loans, discounts, advance payments, or partial payments thereunder not later than

the time of final payment of the amount due on the settlement of the termination claim or claims of the war contractor involved or such time thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.

"Sec. 9. (a) Any contracting agency may make advance or partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such advance or partial payments by any war contractor to his subcontractors, upon such conditions as it deems necessary to insure compliance with the provisions of subsection (b) of this section.

"(b) Where any such advance or partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, except a final payment on a partial settlement, any amount in excess of the amount finally determined to be due on the termination claim shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand together with a penalty computed at the rate of 6 percent per annum, for the period from the date such excess advance or partial payment is received to the date on which such excess is repaid or extinguished. Where the advance or partial payment was made by a war contractor and authorized, approved, or ratified by any contracting agency, the war contractor making it shall not be liable for any such excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

"Sec. 10. (a) Any contracting agency is authorized—

"(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of the termination of one or more such war contracts or operations;

"(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

"(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

"(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this act.

"(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.

"ADVANCE NOTICE

"SEC. 11. (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, each contracting agency—

"(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

"(2) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

"(b) Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for 30 days or more, the contractor may elect to treat it as a termination by delivering written notice of his election so to do to the contracting agency, at any time before the contracting agency directs the price contractor to resume work under the contract.

"(c) The Director shall have no authority under this act to regulate or control the classes of contracts to be terminated by the contracting agencies.

"REMOVAL AND STORAGE OF MATERIALS

"SEC. 12. (a) It is the policy of the Government, upon the termination of any war contract, to assure the expeditious removal from the plant of the war contractor of the termination inventory not to be retained or sold by the war contractor.

"(b) Any war contractor may submit to the contracting agency concerned or to any other Government agency designated by the Director, one or more statements showing the materials which such war contractor claims to be termination inventory under one or more war contracts and desires to have removed by the Government. Such statements shall be prepared in such form and detail, shall be submitted in such manner, through the prime contractor or otherwise, and shall be supported by such certificates or other data, as may be prescribed under this act.

"(c) Within 60 days after the submission of any such statement by a war contractor, or such shorter period as may be prescribed under this act, or within such longer period as the war contractor may agree, the Government agency concerned (1) shall arrange, upon such terms and conditions as may be agreed, for the storage by the war contractor on his own premises or elsewhere of all such claimed termination inventory which the war contractor does not retain or dispose of, except any part which may be determined not to be allocable to the terminated war contract or contracts, or (2) shall remove from the plant or plants of the war contractor all of such claimed termination inventory not retained, disposed of, or stored by the war contractor or determined not to be allocable to the terminated war contract or contracts.

"(d) Upon the failure of the Government so to arrange for storage by the war contractor or to remove any termination inventory within the period specified under subsection (c) of this section, the war contractor, subject to regulations prescribed under this act, may remove some or all of such termination inventory from his plant or plants and may store it on his own premises or elsewhere for the account and at the risk and expense of the Government, using

reasonable care for its transportation and preservation. If any war contractor intends so to remove any claimed termination inventory, he shall deliver to the Government agency concerned written notice of the date fixed for removal and a statement showing the quantities and condition of the materials so to be removed, certified on behalf of the war contractor to have been prepared in accordance with a concurrent physical inventory of such materials. Such notice and statement shall be delivered at least, 20 days in advance of the date fixed for removal and may be delivered before or after the expiration of the period specified under subsection (c) of this section. If the Government agency fails to check such materials, at or before the time of their removal by the war contractor, a certificate of the war contractor specifying the materials shown on such statement which were so removed, and filed with the Government agency concerned within 30 days after the date fixed for removal, shall constitute prima facie evidence against the United States as to the quantities and condition of the material so removed and the fact of their removal.

"(e) Notwithstanding any other provisions of law, but subject to subsection (h) of this section, the contracting agency concerned or the Director, or any Government agency designated by him, on behalf of the United States, may, by the exercise of any contract rights or otherwise, acquire and take possession of any termination inventory of any war contractor, and any materials removed by the Government or stored for its account under subsections (c) and (d) of this section, even if such materials are finally determined not to constitute termination inventory. With respect to any such materials, the Government shall be liable to any war contractor concerned only for their return to such war contractor or for their disposal value at the time of their removal or for the proceeds realized by the Government from their disposal, at the election of the Government agency concerned, unless the Government agency and the war contractor agree or have agreed on a different basis. Any amount so paid or payable to a war contractor for materials allocable to a terminated war contract shall be credited against the termination claim under such contract but shall not otherwise affect the amount due on the claim, unless the Government agency concerned and the war contractor agree or have agreed otherwise. Any materials to which the Director takes title under this section shall be delivered for disposal to any appropriate Government agency authorized to make such disposal.

"(f) No contracting agency shall postpone or delay any termination settlement beyond the period specified in subsection (c) of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection (b) of this section.

"(g) Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned machinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within 60 days after such demand or such other period as may be prescribed under this act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provision for the retention, storage, maintenance, or disposition of such machinery, tools, or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor

with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this act, may remove all or part of such machinery, tools, or equipment from his plant and may store it on his own premises or elsewhere, for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation.

"(h) Nothing in this act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any termination inventories and to retain them for their use for any purpose or to dispose of such termination inventories for the purpose of war production, or to authorize any war contractor to retain or dispose of such termination inventories for the purpose of war production.

"(i) Nothing in this section shall be construed to prevent the removal and storage of any termination inventory by any war contractor, at his own risk, at any time after termination of any war contract to which it is allocable.

"APPEAL

"SEC. 13. (a) Whenever any war contractor has submitted a termination claim, in substantially the form prescribed under this act, to the contracting agency responsible for settling it, and such claim has not been settled by agreement with the contracting agency, or only a part of such claim has been so settled, the contracting agency shall prepare written findings of the amount determined by it to be due on such claim or the unsettled part thereof, shall transmit such findings, together with all supporting data, to the Board, and transmit by registered mail a copy of such findings and data to the contractor. Such findings and data shall be transmitted to the contractor by the contracting agency within 60 days after the date of his demand therefor.

"(b) Within 90 days after the mailing of the findings of the contracting agency to the war contractor under subsection (a), the war contractor may, at his election—

"(1) submit his claim or the unsettled part thereof to the Board or appropriate regional board, and if aggrieved by the decision thereof, within 90 days after the making of such decision bring suit against the United States as provided in paragraph (2); or

"(2) bring suit against the United States for such claim, or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (U. S. C., 1940 ed., title 28, sec. 41 (20)).

"(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

"(1) If a war contractor does not initiate proceedings in accordance with subsection (b) within 90 days after the mailing to him of the findings by the contracting agency, he shall be precluded from submitting his claim or the unsettled part thereof to the Board or regional board, and shall be precluded from bringing suit for such claim or part thereof against the United States until after the audit and settlement thereof by the General Accounting Office in the manner provided by law.

"(2) Notwithstanding any contrary provision in any war contract, the Board, the regional board, and the court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that the amount due on his claim exceeds the amount allowed by the contracting agency. The Board, regional board, or court may increase or de-

crease the amount allowed by the contracting agency.

"(3) When a war contractor has initiated such proceedings by one method under subsection (b) of this section, he shall, except as provided in subsection (b) (1), be precluded from initiating proceedings by any other method thereunder.

"(d) (1) Any determination made under this section by the Board or regional board shall, if made within 6 months after the termination claim concerned is submitted to the Board or regional board, as the case may be, be final and conclusive upon the Comptroller General of the United States, the General Accounting Office, and all officers and agencies in the executive branch of the Government. If such determination is not made within such 6 months, the findings of the contracting agency with respect to the termination claim concerned shall be final and conclusive upon the Comptroller General of the United States, the General Accounting Office, and all officers and agencies in the executive branch of the Government.

"(2) For the purposes of this section, the Chairman of the Board may divide the Board into divisions of not less than three members each and the Board may sit and act by such divisions.

"COURT OF CLAIMS

"Sec. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than 10 auditors and not more than 20 commissioners in addition to those provided for by the act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

"(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all parties with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. If the name and address of such party in interest is known or can be ascertained by reasonable diligence, and if he resides within the jurisdiction of the United States, he shall be summoned to appear by personal service; but if such party resides outside of the jurisdiction of the United States, or is unknown, or if for any other good and sufficient reason appearing to the court personal service cannot be had, he may be summoned by publication, under such rules as the court may adopt, together with a copy of the summons mailed by registered mail to such party's last known address. Upon failure so to appear, any and all claims or interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment pro confesso upon any claim or contingent claim asserted on behalf of the United States against any party who, having been duly served with subpoena, fails to respond thereto, to the same extent and with like effect as if such party had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any party pursuant to any such notice or subpoena, the case as to such party shall, for all purposes, be treated as if an independent proceeding had been instituted by such party pursuant to section 145 of the Judicial code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and determination, with the case in respect of which the notice or subpoena was issued, except that the United States shall

not be heard upon any counterclaims, claims for damages, or other demands whatsoever against such party, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such party shall assert therein a claim, or an interest in a claim, against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

"(c) The jurisdiction of the Court of Claims shall not be affected by this act except to the extent necessary to give effect to this act, and no party shall recover judgment on any claim, or on any interest in any claim, in said court which such party would not have had a right to assert if this section had not been enacted.

"PERSONAL FINANCIAL LIABILITY

"Sec. 15. Whenever any payment is made from Government funds to any war contractor or other person as an advance payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment, in the absence of fraud or gross negligence on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

"DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

"Sec. 16. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a valid contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

"(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who order any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

"RECORDS, FORMS, AND REPORTS

"Sec. 17. (a) The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud and to assure uniformity in administration and to provide for expeditious settlements.

"(b) The Director shall require the Government agencies performing functions under this act to prepare such information and reports regarding terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this act,

and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies. The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this act, but any such agency, in its discretion, may furnish any such information deemed by it to affect the national security only to the Director himself.

"(c) The Director, by regulation, shall provide for making available to any interested Government agency such advance notice and other information on cut-backs in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.

"(d) The Director shall make such investigations as he deems necessary or desirable in connection with termination settlements and interim financing. For this purpose he may utilize the facilities of any existing agencies and if he determines that the facilities of existing agencies are inadequate, he may establish a unit in the Office of Contract Settlement to supplement and facilitate the work of existing agencies. He shall report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.

"PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

"Sec. 18. (a) It shall be unlawful for any person willfully to secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed—

"(i) any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation or other termination, or settlement of a war contract of \$25,000 or more; or

"(ii) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more, until (1) 5 years after such disposition of termination inventory by such war contractor or Government agency, or (2) 5 years after the final settlement of such war contract, or (3) 5 years after the termination of hostilities in the present war as proclaimed by the President or by concurrent resolution of the two Houses of Congress, whichever applicable period is longer.

"As used in this subsection, the term 'records' includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than 5 years, or both: *Provided, however*, That the Director, by regulation, may authorize the destruction of such records upon such terms and conditions as he deems appropriate, which may include the making and retaining of photographs or microphotographs. Photographs or microphotographs of any records made in compliance with such regulations of the Director shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of admissibility in evidence.

"(b) The first section of the act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or

other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until 3 years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law.

"(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or emolument from the United States or any Government agency in connection with the termination, cancellation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States or with any other person, and every person who enters into an agreement, combination, or conspiracy so to do, (1) shall pay to the United States an amount equal to 25 per cent of any amount thereby sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof and (3) shall in addition pay to the United States the sum of \$2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

"(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

"(d) The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this act or under any regulations pursuant to this act.

"GENERAL PROVISIONS

"SEC. 19. (a) Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this act, (1) to make any contract necessary and appropriate to carry out the provisions of this act; (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems necessary and appropriate to carry out the provisions of this act; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any

contracting agency under the First War Powers Act, 1941, or under any other statute.

"(b) Any contracting agency may prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this act. Any determination so made that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this act.

"(c) There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this act.

"(d) All policies and procedures relating to termination of war contracts, termination settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, in effect upon the effective date of this act, and not inconsistent with this act, shall remain in full force and effect unless and until superseded by the Director in accordance with this act, or by regulations of the contracting agency not inconsistent with this act or the policies prescribed by the Director.

"(e) Nothing in this act shall be deemed to impair or modify any war contract or any term or provision of any war contract or any assignment of any claim under a war contract, without the consent of the parties thereto, if the war contract, or the term, provision, or assignment thereof, is otherwise valid.

"(f) The Smaller War Plants Corporation is hereby directed—

"(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this act and the regulations of the Director; and

"(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guaranties, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

"OTHER FUNCTIONS OF THE DIRECTOR

"SEC. 20. In addition to his other functions under this act, the Director shall—

"(a) promote the training of personnel for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

"(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing.

"(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible;

"(d) consult with war contractors through advisory committees or such other methods as he deems appropriate.

"USE OF APPROPRIATED FUNDS

"SEC. 21. Any contracting agency is authorized—

"(a) to use for interim financing, the payment of claims, and for any other purposes authorized in this act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

"(b) to use any such funds appropriated, allocated, or available to it for expenditures

for or in behalf of any other contracting agency for the purposes authorized in this act;

"(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

"DELEGATION OF AUTHORITY

"SEC. 22. (a) The Director may delegate any authority and discretion conferred upon him by this act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

"(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this act to any officer, agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

"(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this act.

"(d) Nothing in this act shall prevent the Director from exercising any authority conferred upon him by any other statute.

"APPLICABILITY

"SEC. 23. (a) This act shall become effective 20 days after the date of its enactment. With the exception of the provisions of paragraphs (b), (c), (d), and (e), of section 12, and of sections 6, 7, 8, 9, 10, and 13 this act shall be applicable in the case of any terminated war contract which has been finally settled at or before the effective date of this act. In the case of any war contract terminated on or after the date of the enactment of this act, termination claims thereunder shall not be settled by any contracting agency otherwise than pursuant to this act.

"(b) Nothing in this act shall limit or affect any authority conferred by the act of March 11, 1941 (55 Stat. 31), as amended, or acts supplemental thereto.

"SEC. 24. Subject to policies prescribed by the Director, any contracting agency may exempt from some or all of the provisions of this act (a) any war contract made or to be performed outside the continental limits of the United States or in Alaska, or (b) any termination inventory situated outside of the continental limits of the United States or in Alaska, or (c) any modification of a war contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

"SEPARABILITY OF PROVISIONS

"SEC. 25. If any provision of this act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

"SHORT TITLE

"SEC. 26. This act may be cited as the 'Contract Settlement Act of 1944.'

Mr. MAY (during the reading of the amendment):

Mr. Chairman, in view of the fact that this amendment is very lengthy and the amendment being a substitute in the

form of the bill reported by the Committee on Military Affairs of the House, to avoid the reading of it, which would consume a great deal of time, I ask unanimous consent that the further reading of the amendment be dispensed with and that I may be permitted to have 15 minutes' time in which to explain the differences in the two bills.

The CHAIRMAN. The gentleman from Kentucky [Mr. MAY] asks unanimous consent that the further reading of the amendment which he has offered be dispensed with, and that he have 15 minutes of time in which to explain the provisions of the amendment. Is there objection?

Mr. WALTER. Mr. Chairman, reserving the right to object, and I shall not object, is this the bill which appeared in the Record several days ago?

Mr. MAY. Mr. Chairman, it is the same bill with the necessary changes in the Walter bill, to conform to the principal objectives of the bill of the Committee on Military Affairs of the House, to give the Comptroller General some authority in the consideration of these matters.

Mr. WALTER. Mr. Chairman, I withdraw my reservation of objection.

Mr. SUMNERS of Texas. Mr. Chairman, reserving the right to object, and I shall not object, I understand the gentleman is going to explain the main points of difference between his amendment and the bill that is pending before the House now?

Mr. MAY. Mr. Chairman, that is my purpose; yes, sir.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky [Mr. MAY]?

There was no objection.

[Mr. MAY addressed the Committee. His remarks will appear hereafter in the Appendix.]

(Mr. MAY asked and was given permission to revise and extend his remarks.)

Mr. KILDAY. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. The gentleman from Texas is recognized for 5 minutes.

Mr. KILDAY. I should like to have the attention of the gentleman from Kentucky for a minute. As I understand it, the gentleman has just offered as a substitute for the committee bill the document which appeared here as a committee print dated June 17, 1944, and headed, "Containing a substitute to the committee amendment to S. 1718 here proposed on behalf of the Committee on Military Affairs." Is that correct?

Mr. MAY. That is right.

Mr. KILDAY. Do I understand the gentleman purports to be acting for the Committee on Military Affairs in offering this as a substitute?

Mr. MAY. I am offering it in my own behalf.

Mr. KILDAY. The gentleman is offering this as an individual; is that correct?

Mr. MAY. Yes; and on behalf of the committee, of the committee membership that reported the bill.

Mr. KILDAY. It is true that the Military Affairs Committee has never au-

thorized or directed the gentleman to offer this on their behalf? Is that correct?

Mr. MAY. There has not been a formal meeting of the Committee on Military Affairs to authorize it, but the group of members that voted the bill out and authorized its report directed me to do this.

Mr. KILDAY. It is also true, is it not, that this bill was never considered by the Military Affairs Committee in any type of meeting. Is that correct?

Mr. MAY. I did not get the question.

Mr. KILDAY. Is it not true that this bill the gentleman has offered as a substitute has never been considered by the Military Affairs Committee in any sort of meeting?

Mr. MAY. This is the substance of the bill reported by the House Military Affairs Committee, offered as a substitute for the Walter bill with certain things stricken out of the Walter bill and certain things added to the Walter bill so as to make it conform to that provision of the House bill which was reported as the committee bill relating to the Comptroller General.

Mr. KILDAY. Very well; now, the bill that the Committee on Military Affairs reported was H. R. 3022.

Mr. MAY. Yes.

Mr. KILDAY. And it consisted of 25 pages, whereas the bill the gentleman has offered as a substitute here contains 50 pages. Is that correct?

Mr. MAY. That is correct, but I may say—

Mr. KILDAY. All right; the gentleman has answered the question I asked.

Mr. MAY. Yes.

Mr. KILDAY. Is it not also correct that in the bill the Committee on Military Affairs reported there was no such thing as the director of contract settlement? Was there?

Mr. MAY. There was a provision—

Mr. KILDAY. Just answer yes or no, please.

Mr. MAY. I will answer as I want to.

Mr. KILDAY. Mr. Chairman, I do not yield for a speech.

Mr. Chairman, I think it is evident that my statement is correct.

Mr. MAY. I do not answer yes or no, either; I have been on the witness stand before.

Mr. KILDAY. Mr. Chairman, I think it is quite evident what is transpiring here. This subject has been considered by men in and out of governmental affairs for a period of months and years. It has received the careful and conscientious consideration of many men—military, naval, and civilian. It has been considered by the committee of the Senate; it has been considered by the Committee on Naval Affairs of the House; it has been considered by the Committee on Military Affairs of the House, by the Post-war Economic Policy and Planning Committee of the House, and it has been considered by the Judiciary Committee of the House. Every committee which has considered this bill has reported substantially as has the Committee on the Judiciary the bill which we are now considering. The only people who have taken any position comparable to that of the gentleman from Kentucky is a

handful of members of the Committee on Military Affairs. It is true that the report which I signed was signed by 12 other members of the Committee on Military Affairs. That is exactly one-half of our committee; we have 26 members. Thirteen of those members joined in a report which was in accordance with the views of the Committee on the Judiciary. How many of the others conformed to what would be called the majority report, no one knows because it is signed by no one. Only those of us who have filed additional views have stated our position.

Nobody knows anything about this substitute which the gentleman from Kentucky has offered. I do not know where it came from. I have here in my hand a bill I just picked up from the table. It shows the material which has been imported into it vastly in excess of the amount of material contained in the bill reported by the Military Affairs Committee. One of my colleagues on yesterday made a speech here against the creation of the office of director of contract settlement. This bill which I now understand is offered on his behalf does not contain provisions for 1 director of contract settlement but for 49 such offices—the national one and at least 1 in each State.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. KILDAY. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

Mr. MAY. Reserving the right to object, will the gentleman yield for a question?

Mr. KILDAY. I will yield; yes, notwithstanding the fact my chairman refused to yield to me I will gladly yield to him.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas that he may proceed for 5 additional minutes?

There was no objection.

Mr. KILDAY. Mr. Chairman, I yield to the gentleman from Kentucky.

Mr. MAY. The gentleman understands this was an amendment I was offering on my own behalf.

Mr. KILDAY. Yes; I just wanted to make sure that everyone else understood that this was an amendment offered by the gentleman from Kentucky and that it is not offered on behalf of the Military Affairs Committee.

Mr. MAY. And I had 100 copies printed for the convenience of the membership.

Mr. KILDAY. Yes; but I just wanted to make sure that the statement at the top was not understood by the membership to mean that it says: That it is offered on behalf of the Military Affairs Committee, but that it is offered by the gentleman from Kentucky on his own responsibility.

Mr. FISH. Mr. Chairman, will the gentleman yield?

Mr. KILDAY. I yield.

Mr. FISH. Will the gentleman further emphasize that no department and no agency of the Government have endorsed this proposal, whereas they all have endorsed the pending bill, and three committees of the House likewise.

Mr. KILDAY. I do not know just where this came from; nobody knows; we have not been told. There is some very nice printing in here, whoever wrote this bill did a nice job of drafting. Apparently the bill reported out of the Military Affairs Committee was worked over, but who did this I do not know.

I regret that in the discussion of this question so much heat has been developed for it is one of the most important questions this Congress will ever be called upon to discuss, it affects the life of this Nation. The economy of this Nation is going to be completely wrecked unless we adopt the correct system of contract termination. There is nothing involved here about saying somebody made too much money out of a contract; I am in favor of taking it all away from them by taxation, the proper way to do it. The thing that concerns me here is to provide employment for 7,000,000 men who will return from the Army and 3,300,000 men who will come back from the Navy, provide places for them when the war is over. They are entitled to a job in industry and not a dole or W. P. A. Unless industry is able to reconvert from their wartime production to peacetime production this cannot come about. All the countries of Europe for 10 years have been putting all their resources into war materials and for almost five years have been destroying everything they have. There will be a crying need for every type of civilian equipment when the war is over, and the nation that gets into production first is going to get the markets of the world. When the war ceases we have got to have ready a system under which these war contracts will be terminated—a system under which industry can quickly go back to making automobiles, washing machines, typewriters, vacuum cleaners, everything of that kind. You are not going to do that if you tie up these termination settlements over a long period of time; that is not going to solve this problem. This is a problem that means the careful consideration of every man who sits in the Congress of the United States.

I think it should receive that calm consideration and it did receive that consideration from all of your committees. All of them have agreed upon a bill substantially in accordance with this bill, except this small group of the Military Affairs Committee which insists on offering this substitute that no one has ever considered in or out of meeting.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, first of all, I want to compliment the Judiciary and associate committees for having handled a very difficult and ticklish problem in an able manner. The product of the committee's labor shows a thorough understanding of this very important problem which will become increasingly important each day. I am so well satisfied with the work that the committees have done that I would be loath to see any amendments adopted that may in any way change the character of this legislation. Mr. Chairman, we cannot expect to legislate on such a

matter on the floor of the House. These committees have held exhaustive hearings and certainly the members thereof are more familiar with this legislation and the needs of the country at this particular time than are we who have not even read the hearings.

Mr. WOODRUFF of Michigan. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Michigan.

Mr. WOODRUFF of Michigan. I think it is only fair to the House to say that the gentleman now addressing the committee was here during the time when the contracts were settled following the First World War. He was a Member of this great deliberative body and the experience he gained at that time well fits him to speak with authority on this particular question.

Mr. ROBSION of Kentucky. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. I was here, too, after the other war. The Graham committee was appointed and after an exhaustive investigation they developed so much corruption and fraud it induced the House and the Congress to pass an act that created the Office of Comptroller General. One of the things that disturbs me about this whole matter is that the men who made the contracts and the contractors alone make the settlement. I would like to see some disinterested agency sit in on the proposition.

Mr. KNUTSON. I have only read this bill once, but as I read it, in my opinion, the interests of the Government are fully protected. I am sure the committee has not overlooked that very important phase of this question. Certainly, it has taken cognizance of the Government's interests. I am not speaking against this particular amendment nor any amendment, neither have I reference to any amendment that may be offered. I do think, Mr. Chairman, that on an important measure such as we have before us at this time we should go very, very slow in adopting amendments on the floor of the House that have not been examined by the committee and that probably no witness has testified on.

Mr. COOPER. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Tennessee.

Mr. COOPER. I am sure the gentleman will also emphasize the fact that six committees have considered this bill. Five of them have approved it and half of the sixth committee has approved it. It is doubtful whether any measure coming before this House has received the thorough, careful, and painstaking consideration that this bill presented by the Judiciary Committee has received.

Mr. KNUTSON. I am sure of that.

Mr. MAY. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. MAY. The gentleman, of course, heard me say yesterday, and also the gentleman from North Carolina [Mr. DURHAM] that the Committee on Military Affairs of the House had made a

careful study of this matter for more than a year. The hearings are in print. The War Department was represented, the Comptroller General was there, everyone who had an interest in it and wanted to appear, big business as well, appeared before that committee. Does the gentleman doubt that the Committee on Military Affairs has given careful consideration to it?

Mr. KNUTSON. Do I doubt that the gentleman's committee has given careful consideration to it?

Mr. MAY. Yes.

Mr. KNUTSON. Why, certainly not. The Committee on Military Affairs of the House is one of the most careful and respected committees of this House and I pay tribute to the able and popular chairman of that committee.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BROOKS. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Kentucky [Mr. MAY].

Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana [Mr. BROOKS]?

There was no objection.

Mr. BROOKS. Mr. Chairman, I rise for the purpose of speaking on behalf of the matter of getting the Comptroller General into this bill at the time the contract termination is being negotiated and keeping him in there until the contract is finally terminated and the money paid. Anyone who has reviewed the debates in this Congress in the early twenties, immediately after the last World War, will recollect that for a period of several years this Congress gave exhaustive thought and attention to the matter of the scandals arising out of the last war. As a result of almost 4 years' debate, there came out of the Congress the organization now known as the Comptroller General's Office. It came as a result of the shocking scandals of the last war in connection with contract terminations.

The headlines of the newspapers of those days paralleled the debates in the Congress, and I have asked for this time to read a few of the headlines, some of which you may recall. Some of them will refresh your memory concerning deeds which were representative and concerning which, especially so far as this phase of them is concerned, we do not look back upon with pleasure. I am going to read now from some headlines appearing in newspapers largely between the years 1920 to 1922.

I read first from the Louisville Times of April 24, 1920:

Calls United States robber roost in attack on profiteering.

Senator CAPPER says corporations' profits range from 20 to 200 percent. Flays sugar gamblers.

I read next from the San Francisco Examiner of December 22, 1920, the following headline:

United States officials linked to coal profiteering. Wholesaler charges group of Government men profited by \$600,000 in one big deal.

Rail chief and Army officer also accused in executive session of Senate probers.

Next I desire to read, Mr. Chairman, from the San Francisco Examiner of December 23, 1920, the following headline:

United States gouged by coal barons.

From the headlines of the New Orleans Times-Picayune, April 13, 1922, I read:

War contracts yield millions, Weeks admits—

That was Secretary Weeks—

Secretary says audit reveals some cases of fraud.

Then again, from the New Orleans Times-Picayune, May 3, 1922, we have the headline:

Wartime fraud charges ordered pressed for trial—Legislative and executive government branches take action.

Then in the New Orleans Times-Picayune, May 23, 1922, we find the headline:

Charges of fraud laid by Caraway upon Daugherty.

Arkansan says jury would convict United States Attorney General. Morse case again aired in Senate.

Taft's confidence betrayed in freeing shipbuilder, is allegation.

Then coming down to the Times-Picayune of June 1, 1922, we find the headline:

Democrat has hand in war fraud inquiry. Former Senator Thomas sworn in to assist grafter hunt.

Then from the Times-Picayune of June 2, 1922, I quote—and this seems very down to date:

Partisan storm breaks in House over war frauds. Fury rages after Rules Committee blocks probe plans. Democrats resent Republican charge. Garrett and Campbell are cheered in bitter exchanges.

Then from the Times-Picayune of June 23, 1922, we find:

War fraud jury calls for books of Orleans bank.

Financiers of other cities also wanted in probe of lumber deals.

Then, Mr. Chairman, the Christian Science Monitor of Boston, Mass., under date of August 16, 1922, carries the headlines:

War fraud cases require new law.

That is the law we are referring to.

Mr. Daugherty urges changes in legislation affecting the summoning of witnesses.

Here is the September 3, 1922, headline in the Washington Post:

War profiteering told by Legion's magazine. Series of articles will deal with instances; spoiled meat mentioned first.

Washington Evening Star headline dated September 3, 1922:

Legion paper hits war profiteering. "Who Got the Money," is title of article on United States expenses.

From the Washington Post, October 6, 1922, I quote, Mr. Chairman, from the headlines:

Government suit charges air fraud. Seeks to recover \$2,408,267 from Dayton plane company under contracts. Blames former offi-

cials. Bill claims fixed sum was paid to operate movie and amusement park.

Here is the Washington Evening Star, October 7, 1922, headline, and I quote:

Thirty officers involved in auto sales fraud. Government ready to press charges in Camp Holabird disclosures.

Then there is the Washington Evening Star of October 17, 1922, in which the headlines read:

Grand jury to probe war frauds complete. Chief Justice McCoy instructs members regarding their duties under the law.

Washington Post, October 17, 1922, headline:

"War frauds" inquiry to be resumed today. Chemical Foundation case first to be considered by new grand jury.

Next in the Washington Post of November 24, 1922, and I quote:

War contractor settles. Daugherty recovers \$670,000. Full amount of Government claim.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. BROOKS. I yield to the gentleman from Kentucky.

Mr. MAY. As I recall the debate yesterday, the gentleman from Texas [Mr. THOMASON] referred to war-contract frauds during the last World War. He was followed by the gentleman from Alabama [Mr. SPARKMAN] who said that he had asked the Legislative Reference Service of the Congressional Library to furnish him with facts about it, but they could not find any. I wonder what they were reading about at that time.

Mr. BROOKS. These are the actual headlines in the newspapers published at the very time that this Congress was debating the question whether or not we should establish the Comptroller General's Office. My interest in the matter is to see that the Comptroller General's Office that was established by this Congress to take care of war wastes, extravagance, and frauds is not set aside at the first time when we are again called upon to terminate contracts totaling vast sums of money.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. BROOKS. I yield to the gentleman from Pennsylvania.

Mr. WALTER. In view of what has been said concerning war frauds 20 years ago, I think the House might be interested in knowing what the present situation is. I read from a letter that I just received from the Assistant Attorney General in charge of war frauds, in which he says:

The Department has not as yet received any references from any of the interested agencies or any preliminary information from any source indicating fraud or crime in connection with termination of contract agreements.

Mr. BROOKS. I am very happy that the gentleman brought that up because that was the situation in the last war. The frauds did not become known until after the war was over, after the contracts were settled and the money paid, and the defaulters gone.

What we want to do now is to have the Comptroller sit in on the termination transaction before the payment is made and thereby save the taxpayers of the United States millions of dollars and prevent the frauds and extravagances of the last war in termination of contracts. I am trying to save our people a repetition of their experiences following the last war. It is far better to have the Comptroller in his official capacity prevent the wrongdoing and the extravagances than it is to try after the money is paid to recover the money and to punish the culprit. The bill as presently drawn is merely closing the door after the horse is gone.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. SUMNERS].

Mr. SUMNERS of Texas. Mr. Chairman, as my distinguished colleague the gentleman from Texas [Mr. KILDAY] has just stated, and as everybody knows, when this war ends, the producing machinery of the country engaged in war activities quits, people go off the pay roll until we can turn to peacetime production. About two-thirds of our machinery is in war production. To avoid paralysis we will have to turn production machinery from war to peacetime production quickly. These manufacturers who have war contracts in various degrees of completion will have their assets largely tied up in incompleting articles. That will be especially true of small plants. The Government must stop their war production. The Government will owe them money. Hundreds or thousands of contractors will be in that situation. Time will be a major factor. The slow paces of Government settlement would imperil the whole economy. Everybody agrees to that. How to settle with these contractors speedily so that we do not become paralyzed before the conversion can be made has concerned the whole country for months. The Baruch committee has been working at it; so has the Naval Affairs Committee, the Military Affairs Committee, the Colmer special committee, and, finally, the Judiciary Committee, which has reported out this bill.

These committees all came to substantial agreement except the Military Affairs Committee which divided equally, so we are advised. What we do in this bill is to establish one agency with broad powers with reference to the machinery through which the settlements are effected. The director is selected exactly as the Comptroller General is selected by the President of the United States with the approval of the Senate, before he can go into action. The responsibility and the power is given to him to guide and control the working out of these settlement arrangements so as to be fair to the contractors and protect the Government consistent with the speed necessary to prevent industrial paralysis and prevent widespread unemployment.

It is provided that the Comptroller General can investigate any of these transactions, and it is his duty to report any frauds that he detects, to the At-

torney General. I was here during World War No. 1. Benefiting by that experience, I suggested to the Attorney General 2 or 3 years ago that there should be established in the Department of Justice a special department to prosecute war frauds. In an article by the Attorney General appearing in Collier's last February the Attorney General states:

As a result of a suggestion from Congressman HARTON W. SUMNERS, of Texas, chairman of the House Judiciary Committee, who was very much concerned with our experiences in the last war (he became a Member of Congress in 1913), I set up a war frauds unit in the Department of Justice in February 1942.

That department has done excellent work.

The Judiciary Committee reported legislation extending the statute of limitation as to these war frauds so that those guilty of such fraud would not escape because of the confusion incident to the war.

The committees feel that all the safeguards have been provided consistent with the necessity to get these matters settled quickly, so that peacetime production can begin.

Effecting these settlements is not any ordinary auditing job. Whoever is trained in the job of auditing is not necessarily trained in the job of doing rapid-fire conversion of this war-producing machinery into peacetime machinery. It requires somebody who can go into these plants, familiar with their operation, where there may be hundreds or possibly thousands of various things in different stages of completion and negotiate a fair settlement. Just imagine someone who has been trained to audit things going into one of these plants and taking each one of these little pieces and figuring out what percentage of it has been produced. It is not an easy thing to do. There will be frauds, no doubt. We have incorporated in this bill heavy penalties for false statements. The fraud and conspiracy penalties are heavy. More committees of the House have studied and worked on this matter than on any other which I recall. They are in great degree in agreement.

Mr. Chairman, I hope that we can conclude this debate soon. The issue on this amendment is clearcut. I hope we can agree very quickly to conclude the debate and have a vote on this amendment.

(Mr. SUMNERS of Texas asked and was given permission to revise and extend his remarks in the Record.)

Mr. POULSON. Mr. Chairman, I rise in opposition to the amendment.

Mr. SUMNERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. POULSON. I yield to the gentleman from Texas.

Mr. SUMNERS of Texas. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto close in 20 minutes.

Mr. THOMASON. Reserving the right to object, Mr. Chairman, may I say to my friend from Texas that this is the heart of the bill. This determines the issue, in effect.

Mr. COOPER. That was debated all day yesterday.

Mr. THOMASON. I have never seen quite such anxiety and solicitude to hasten to conclude the debate on a bill that has already been stated by my colleague from Texas and others to be the most important bill that has been before the House this session, so I object, Mr. Chairman.

Mr. SUMNERS of Texas. Mr. Chairman, I move that all debate on this amendment and all amendments thereto close in 35 minutes.

The motion was agreed to.

Mr. WALTER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WALTER. I understand that the gentleman from California [Mr. POULSON] was recognized for 5 minutes. In view of the fact that that would mean that only seven Members could speak if they all had the same length of time, I think the Chair before fixing the time for anyone ought to determine how many Members were on their feet.

The CHAIRMAN. The gentleman from California had been recognized before the time was fixed.

Mr. COLMER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. COLMER. Has the time been allotted, Mr. Chairman?

The CHAIRMAN. No allotment of time under the motion has been made.

Mr. POULSON. Mr. Chairman, there are a few things that I have learned here in Congress and one of them is that you should know something about the subject being discussed before you speak here on the floor of Congress. I think I have a fair knowledge of this subject from my practical experience.

Speaking as a certified public accountant I think it asinine and unsound to require accountants of the General Accounting Office to negotiate the terms and conditions of a termination of a contract. In the first place, the true science of accounting calls for the reporting of what has happened and not what should happen; the checking of the transactions to see that the requirements of the contract have been lived up to and not what these requirements should be. Ethical accounting definitely does not cover the field of forecasting. While individual accountants might have the technical or general knowledge to pass on these subjects in as qualified a manner as some of the individuals in the contracting department, it is because of the fact that they are personally possessed of that ability and not because accountants are trained for that purpose. I have a high respect for Mr. Lindsay Warren and know that in the General Accounting Office they have some of the best talent in the country but this job of adjusting the problems involved in the termination of contracts does not in my opinion come within the scope of the duties of an auditor.

The factors involved in the termination of a contract are many, too many to mention under the short time allotted

me, but I do want to point out that they are principally factors which do not come under the technique of accounting as they are intangible.

The gentleman from Georgia [Mr. VINSON], chairman of the Naval Affairs Committee, brought out yesterday the fact that the General Accounting Office is in arrears 14 months at the present time and with the added duties of assuming this additional duty it is no doubt they would be in arrears many more months. What happens then; we have defeated the purpose of this bill—speedy reconversion to peace-time production.

Remember this delay definitely discriminates against the type of contractors whom we should be interested in helping; namely, those who do not have the large resources and who have most of their profits and many times their entire assets tied up in these unpaid claims awaiting adjustment. The result would be that the money "sharks" would be able to prey on these unfortunate individuals or companies and in the long run they would not be able to reconvert into peacetime production.

There is more room for demagoguery on this subject than on the proposition that the War and Navy Contracting Departments are unfair or even dishonest. In fact we have a greater protection in allowing one agency to terminate these contracts and then allowing the General Accounting Office to follow up with their general postaudit. At this point I certainly advocate that the Auditor General be instructed to still continue his audits but that these settlements not be held up until this audit is made.

The penalties are still stiff enough for the protection of the public against fraud and the like, and the General Accounting Office still has the authority to check for that. In fact is it not safer to have the General Accounting Office checking on the procurement divisions of the various departments rather than have the General Accounting Office checking on themselves, where they have made the termination agreements? In other words, let us proceed on the basis of efficiency and have a real system of checks and counter checks.

I am proud of my profession and I want it to still stay on that high plane which it holds today and that means it must confine its activities to that of reporting facts and detecting fraud. Under no circumstances should it enter the field of adjusters. By all means it should not forsake its duty of protecting the public and it should continue to ferret out those who have dishonestly profited from this war. To do that it must keep its hands clean of any job of a trader, adjuster, or compromiser.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. POULSON. I yield to the gentleman from California.

Mr. HINSHAW. The gentleman is a certified public accountant. I think he is making a very fair statement concerning the relationship between accountants and the termination of contracts.

Mr. ZIMMERMAN. Mr. Chairman, will the gentleman yield?

Mr. POULSON. I yield to the gentleman from Missouri.

Mr. ZIMMERMAN. I appreciate the very clear statement the gentleman has made on this subject. I call his attention to the fact that there are 2,000,000 subcontractors, little men who have no privity with these big contractors who have been mentioned today. Unless those men can get their money and be freed from the contracts they have and be ready to go back into business, there will be thousands of men who cannot get employment.

Mr. POULSON. The real purpose of this bill is to save those people.

The CHAIRMAN. The time of the gentleman from California has expired.

(Mr. POULSON asked and was given permission to revise and extend his remarks in the RECORD.)

The CHAIRMAN. The Chair desires to state that seven Members have indicated their desire to speak on this amendment. No Member of the committee appears on this list.

Mr. WALTER. I was standing, Mr. Chairman.

The CHAIRMAN. The gentleman from Pennsylvania desires to be added to the list and the gentleman from Tennessee. That makes nine Members.

Mr. SPARKMAN. Mr. Chairman, may I suggest that the list be read?

Mr. THOMASON. Mr. Chairman, does that mean that after the time is set, 6 or 8 or 10 more Members can come in and be included on the list?

The CHAIRMAN. The time was not set without these gentleman having originally indicated their desire to speak on the amendment.

Mr. THOMASON. I believe I am well within the facts when I say that when the time was set there were seven Members standing, and those of us who think there ought to be fair and liberal debate on this important measure objected. Now at least four or five more Members are on their feet. Certainly the members of the committee are entitled to time, but now others who are not members of the committee and who have not given the question the study the Committee on Military Affairs has given it want to be heard. I do not desire to cut them off, but I say that is hardly fair to those of us who objected.

The CHAIRMAN. The Chair desires to say, first of all, that the name of the gentleman from Pennsylvania should have been added to the list at the time, making it eight Members. The Chair will recognize none except those whose names appeared on the list at the time the motion of the gentleman from Texas was adopted.

Mr. THOMASON. Mr. Chairman, is another unanimous-consent request in order at this time?

The CHAIRMAN. The gentleman will state it.

Mr. THOMASON. Mr. Chairman, I ask unanimous consent, in all fairness to everybody on this measure, that the time be extended to 1 hour.

The CHAIRMAN. The gentleman from Texas [Mr. THOMASON] asks unanimous consent that time for debate on this amendment and all amendments thereto

be extended to 1 hour. Is there objection?

Mr. WALTER. Mr. Chairman, I object.

The CHAIRMAN. The gentleman from California [Mr. ANDERSON] is recognized for 4 minutes.

Mr. ANDERSON of California. Mr. Chairman, as a member of the Naval Affairs Committee of the House, I heartily endorse the bill reported by the Committee on the Judiciary and I intend to support it and vote against the substitute offered by the gentleman from Kentucky [Mr. MAY]. I yield to no Member of the House in my high regard for the man who presently heads up the office of the Comptroller General. But I, like many other Members, encounter frequent exasperation in dealing with the General Accounting Office on claims against the Government. For the information of the House, and as an example of their frequently unreasonable and unrealistic attitude, I would like to read into the RECORD an opinion of the Court of Claims reported on a debt against the United States. This opinion was rendered on September 26, 1941.

The opinion is as follows:

[Copy of an opinion rendered in the Court of Claims, as reported in LXIX Washington Law Reporter 964, September 26, 1941]

DEBTS DUE BY THE UNITED STATES

Belcher, Executrix, v. the United States, No. 45,258 in the Court of Claims. Opinion of Jones, judge:

In 1935 and 1936 the defendant, through its authorized agent, purchased from Thomas N. Belcher, who was engaged in the mining and marketing of coal under the name of Bevier Milling and Mining Co., 100,325 tons of coal, at an agreed price of \$2 per ton. The coal was delivered in accordance with the terms of the purchase agreement and used for furnishing heat for the post office building at Central City, Ky. The Fourth Assistant Postmaster General certified approval of the contract. Defendant has not paid for the coal. The vendor died subsequently, and his widow, as executrix, instituted this suit to recover the contract price. The essential facts are as simple as that.

The excuse for not making payment is stated by the Acting Comptroller General in a letter that is singularly free from any suspicion of logic.

It states that after the contract had been completed, the vendor borrowed money at the bank; that the note was signed by T. N. Belcher and George L. Wallace, the then postmaster, and that since the vendor received the proceeds of the note he has been paid in full. The fact that the bank demands payment of the note, and that the defendant used the coal and made payment to no one are small items that appear to have been overlooked.

The bank was apparently amazed at the intricacies of the line of reasoning set out in the Comptroller's letter; it suggested that there must be some misunderstanding, since the bank had merely made a loan, but the General Accounting Office stood its ground in a second letter of denial.

We confess that we are also just a little surprised at the contents of the letter. It has neither pattern nor syllogism, but it certainly has point.

This method of settling Government obligations is so novel that, if reduced to practice, it should be patentable. It would solve many national problems. The holder of a Government obligation at one time or another is usually in need of money. He bor-

rows money at the bank, and, ergo, the Government's obligation is settled.

If this obligation were a large one it would be bad enough. But when it is for an amount so small that the value of the time and expense of litigation will eat up its substance, it is indefensible. That a just government, or any responsible official thereof, would pursue a course that would make such action necessary is almost incredible. It is one of those strange things that sometimes appear in the processes of free government.

It is to be regretted in the circumstances that we have no jurisdiction to allow interest or attorney's fees.

The defendant received the coal that had been purchased at a price which the Fourth Assistant Postmaster General conceded was very low. It used the coal. It has not paid the bill.

The plaintiff is entitled to recover the sum of \$200.65.

It is so ordered.

Madden, Whitaker, and Littleton, Judges, and Whaley, Chief Justice, concur.

Now, Mr. Chairman, If we adopt the substitute offered by the chairman of the Military Affairs Committee, which literally authorizes interminable delays in the settlement of terminated war contracts, we are apt to throw this entire country into an economic tail spin.

Let us look at some of the reasons why the substitute should not be adopted:

First. The financial records and statements of contractors as a whole are more reliable than they were at the end of the last war, due to the following factors:

(a) Tremendous increase in ability of accounting personnel of contractors; now including thousands of graduates of comprehensive accounting courses given by numerous schools and universities, also many individuals with several years of experience in public accounting practice.

(b) Contractors have been required to submit more reliable statements due to constantly increasing investigations and exactitude required by rules, regulations, or requirements of the collector of internal revenue, the Securities and Exchange Commission, and other Government agencies as well as of private investors and credit grantors.

Second. Due to the improvements in the accounting procedures and systems of internal control of contractors as a whole, public accountants have considered it permissible to resort more and more to reviews and test checks in lieu of complete detailed audits. Accounting representatives of Government agencies, other than the Comptroller General, have considered it permissible and advisable to make similar changes in their procedures in examining costs under cost-plus-fixed-fee Government contracts, but have been severely handicapped in so doing by the necessity of perusing numerous vouchers and records in order to assure themselves that the detailed documentary evidence requirements of the Comptroller General are complied with. Any attempt to apply such requirements to records underlying negotiated settlements of fixed price supply contracts would result in chaos.

Third. A current perusal of a contractor's proposal by competent accounting and technical personnel of a con-

tracting agency is far better than a complete mechanical postaudit after the production lines, physical inventories, and many of the contractor's employees have disappeared. Many of the more serious exceptions taken by the contracting agencies result from current observation and discussion, not from mechanical postauditing. Delayed postauditing will be impractical in cases where substantially all of the contractor's accounting personnel have been discharged.

Fourth. The review of a contractor's proposal will be made by a group of individuals representing the contracting agency or the higher-tier contractor. Such individuals will cooperate with each other in making the review. They will be subject to supervision by superiors. Their work will be subject to review by their superiors and by the contracting officer or his representative. Larger claims will be subjected to examination by special review boards. Contracting officers or their representatives must sign the settlement agreements, but the action of a contracting officer will be much less independent and more restricted in negotiating a settlement agreement than it was in negotiating the original fixed-price contract. Due to the number and various duties of the individuals participating in a negotiated settlement, the contracting agencies should be able to develop ample procedures for satisfactory internal checks and control in connection therewith.

Fifth. Due to the numerous intangible factors entering into a negotiated settlement, meticulous accuracy in accounting matters is not essential and would seriously delay the settlements. Minor errors, if any, detected in a postaudit by the Comptroller General, would not change the negotiated settlement amount.

Sixth. The contracting agencies have exhausted the available supply of experienced accountants. Their staffs of accountants and technical inspectors are experienced in procurement activities and are being trained in termination procedures. The Comptroller General could not build up a sufficient staff of accountants, much less train them, within the time limit at which termination settlements must become final in order to avoid costly delays in current procurement and in reconversion of industry. He has no staff of technical inspectors and his examination would be limited to a mechanical postaudit. The work of the Comptroller General in reviewing payments under cost-plus-fixed-price contracts is far behind actual payments. It is probable that he would be years behind in reviewing the termination settlements of the more numerous fixed-price prime contracts and the indeterminate but huge number of underlying subcontracts.

Seventh. There have been few financial scandals in connection with procurement activities and the amounts involved are insignificant in relation to the amount of the total procurement program. This indicates that the financial representations of contractors together with the examinations being made by the

contracting agencies can be relied upon. The Government's interests are being adequately protected and, therefore, Congress would be justified in relieving the Comptroller General of the obviously impractical task of making postaudits of all negotiated settlements under terminated fixed price supply contracts. No audits or series of audits could guarantee the detection of every type of irregularity. In most cases the contracting agencies will have to resort to formula settlements in respect of fraudulent claims, and such settlements will be subject to postaudit by the Comptroller General. The Comptroller General should be permitted, but not required, to make postreviews of any or all termination settlements for fraud, and this is properly provided by S. 1718.

The CHAIRMAN. The time of the gentleman from California has expired.

(By unanimous consent, Mr. ANDERSON of California received permission to revise and extend his remarks.)

The CHAIRMAN. The gentleman from Texas is recognized.

(By unanimous consent, Mr. THOMASON received permission to revise and extend his remarks.)

Mr. THOMASON. Mr. Chairman, I wish I had time to read the facts in a few of the cases I have here. I would start in first, I think, on account of its freshness, with the Rohl case in Honolulu. Then I would bring in some of the other 270 cases which the Comptroller General of the United States brought before our committee. They are in the committee room now. He has in many of those cases, and they were picked at random, recovered many, many millions of dollars, and when he presented the contractors with the facts they paid, and paid promptly. I did not tell you about a case out in Utah at an Army base where a lot of batteries were sold for \$6,000 and they were soon thereafter resold by the outfit which bought them for \$40,000. I could go up into New York State and show you one of those cases where a man went out and bought some land at \$40 an acre and turned around and sold the property for \$400 an acre. I am here to say on my responsibility that those 270 cases show the need for auditing and supervision by some independent agency. No man on earth can read those cases and say that the best interests of the taxpayers of America had been protected. I cannot quite understand all this solicitude for big contractors and all this haste and anxiety on this important measure.

Mr. KILDAY. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield.

Mr. KILDAY. Does not the gentleman realize that in every instance to which he refers the job or the contract was subject to audit by the General Accounting Office and it was under constant audit?

Mr. THOMASON. Please do not take up my time talking about technicalities. The gentleman had extra time given him to speak. Here it is proposed to put the contractor on one side of the table and the representatives of War or Navy Departments on the other side of the

table. They are the ones who made the contract. The contractor naturally wants to get all the money he can out of his contract. Here you have the contracting officer of the Army and Navy who made the contract and consequently who have some pride of authorship. Perhaps they have gotten pretty well acquainted with each other sitting down at that table and have become intimate friends with many social contacts. When the contract is terminated, it is terminated, and the man who heads the office which your predecessors and mine in this House have said should check on expenditures of the taxpayers' money and the money of the Government of the United States, does not have one word on earth to say about it and no authority to do anything about it. I repeat what I said yesterday, that he is the only man in the Government today who speaks as an independent representative of this Congress and of the taxpayers of this country. The attitude of some is just beyond my understanding. The Comptroller General has nothing to say in the matter. Why not be frank and proceed to abolish the General Accounting Office? You can take the terms of this bill and the Comptroller General is just so much "window dressing." He can sit around the table, look and listen, but there is nothing he can do when he sees the Government being skinned.

I do not believe you can defend that action before the taxpayers and the people of America. I am here seeking to defend the dignity and the duties of the Comptroller General's office as an independent agent and representative of Congress and the taxpayers of the country. Under the terms of this bill he can sit in but do nothing about it unless there is fraud, and you lawyers know that is a hard thing to prove. All the Comptroller General can do is to report the matter.

Mr. BATES of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield.

Mr. BATES of Massachusetts. Does not the bill provide a post-audit by the Comptroller General?

Mr. THOMASON. Oh, sure, after the horse is stolen, there is no use to lock the barn door.

Mr. BATES of Massachusetts. In case of fraud he can take action.

Mr. THOMASON. Oh, sure, you know what fraud is; I assume, being a good lawyer, you know how hard it is to prove.

Mr. BATES of Massachusetts. I am not a lawyer at all, but common sense tells us that is the only sensible procedure.

Mr. THOMASON. But it is the old story of locking the door after the horse is stolen. The money is gone, the settlement is made, and the whole matter just as well be forgotten. Uncle Sam will hold the sack, as usual.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield.

Miss SUMNER of Illinois. Mr. Chairman, can the gentleman explain that which nobody has explained yet, why it is so difficult for a man who has a contract and the money due, of course, is

not definite, to go to a bank and get himself a loan?

Mr. THOMASON. Mr. Chairman, may I say to the gentlewoman from Illinois, under the terms of this bill if a contract is closed, if the job is complete, he gets every cent of his money and if it is not complete he gets 90 percent of his money and a 10 percent loan from the Reconstruction Finance Corporation. I contend the Comptroller General has the same facilities for getting this job done promptly as the war agencies. He has no interest except the public interest and nobody to serve except the taxpayers.

[Mr. SIKES addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. MARTIN].

Mr. MARTIN of Iowa. Mr. Chairman, I have been working on this problem for about 18 months. Five of us on the Military Affairs Committee started the struggle about a year and a half ago. We became hopelessly deadlocked. We took it to the full committee. They, in turn, became hopelessly deadlocked. Now, we have a couple of other committees in the House to pull us out of the deadlock in which we find ourselves.

I have been very much opposed to the May amendment. I am approaching this subject from the viewpoint of an accountant. I was especially interested in the comments of the gentleman from California [Mr. Poulson], who is a certified public accountant. That happens to be one of my occupations, although I am not a certified public accountant.

Mr. Chairman, it was my privilege to serve as a member of the special subcommittee of the Committee on Military Affairs which has had the matter of contract cancellation under study and consideration for the past 18 months. During our study of this question many fundamental differences of opinion have arisen in the matter of determining how best to handle the settlement of canceled contracts. This issue finally resolved itself down to the question of whether or not the Comptroller General should be given complete jurisdiction of the settlement of canceled contracts or whether he should be relieved of all responsibility in connection with the settlement of canceled contracts, or whether he should continue to serve in this field to the extent provided in the Budget and Accounting Act.

The particularly large expenditures involved in our participation in the war with Germany in 1918, resulted in a movement for a closer scrutiny of executive accounts which culminated in the Budget and Accounting Act of 1921. Two principal purposes were embodied in the Budget and Accounting Act, the first purpose was to create an expeditious and uniform and reliable yearly auditing of expenditures in the Federal Government independent of executive influence and control. The second principal purpose was to create an agency to control expenditures in the executive departments which would guard against and prevent fraud and waste of Federal

funds by passing on all matters relating to the receipt, disbursement, and application of these funds.

It is my belief that the Comptroller General should continue to function under the authority and responsibility given him under the Budget and Accounting Act as he has a very real and important function to perform under the provisions of the Budget and Accounting Act as it is now operating.

The great question before us at this time is whether the duties, responsibilities, and power of the Comptroller General shall be extended into a field that has heretofore been placed within the jurisdiction of the executive branch of government, namely, the determination of policies and the administration of the law in the actual settlement of canceled contracts.

As an accountant I have been very much inclined to follow the views of the American Institute of Accountants as to the limitations of an accountant or auditor in dealing with the matter of settlement of canceled contracts and as to the practicability and desirability of any such extension of the powers of the Comptroller General to approve all termination settlements before they become final. On the first point let me quote an editorial from the November 1943 issue of the *Journal of Accountancy*:

It should be understood by all concerned, however, that no amount of auditing could determine with precision the exact amount of a fair settlement. There are many elements of judgment involved in estimating costs properly attributable to a partly completed contract. Material and labor costs may be estimated with relative accuracy, but allocation and joint costs and indirect expenses (such as overhead, depreciation, engineering and development, obsolescence, experimental and research expense, and other costs) is one of the most complex of accounting problems and inevitably involves an element of opinion which no amount of auditing can eliminate. * * *

A requirement that the Comptroller General audit the costs of contractors in termination settlements would make the General Accounting Office the most disastrous bottleneck in history. Where would he get the manpower? * * *

All informed students of this subject agree that speed in settlements of terminated contracts is essential to prompt reconversion of industry to peacetime production after the war. Delay may induce unemployment and raise the gravest economic and social problems.

And I quote here also the provisions of a resolution adopted by Council of the American Institute of Accountants meeting at New York, May 9, 1944, when they approved the provisions of the bill, S. 1718, as follows:

Whereas certain proposed legislation before the House of Representatives would provide for participation by the General Accounting Office in decisions as to amounts to be paid to war contractors whose contracts have been terminated for the convenience of the Government; and

Whereas such participation by the General Accounting Office would inevitably lead to delay in settlements and duplication of audits or accounting reviews which in any event would have to be conducted by the procurement agencies, and sufficient trained personnel is not available to do the extra work;

Whereas sound business practice has demonstrated that the person responsible for

audit of completed transactions should have no share of responsibility for the administrative decisions governing such transactions: Be it

Resolved, That the Council of the American Institute of Accountants assembled in regular meeting May 9, 1944, urges Congress to enact legislation providing:

(1) That the procurement of agencies have the responsibility for settlement of terminated war contracts, and that their settlements once made be final and binding except for fraud.

(2) That the General Accounting Office, by tests and samples, in accordance with generally accepted auditing practice, make post-audits of the records of the completed termination settlements at the offices of the procurement agencies to the extent necessary to satisfy it as to both whether or not fraud existed, and whether or not the procedures followed by the procurement agencies in termination settlements were functioning properly, with adequate safeguards; reports of the findings of the General Accounting Office to be submitted periodically to the proper administrative authorities and to Congress.

(3) That the Comptroller General have no participation in settlements by the procurement agencies, either with or without a vote, because he would thereby be disqualified from making an independent audit of decisions in which he had himself participated: And be it further

Resolved, That the Council of the American Institute of Accountants approves the provisions of Senate bill 1718 relating to this subject, which appears to be wholly in conformity with the principles outlined in this resolution.

In addition to the views of the American Institute of Accountants I wish to call your attention to a paragraph in the statement of the 13 members of the Military Affairs Committee that was placed in the *CONGRESSIONAL RECORD* by the gentleman from New York [Mr. ANDREWS] on Thursday, as follows:

Almost every witness who has testified on this subject before this or other committees has been strongly opposed to allowing the Comptroller General to review termination settlements for any purpose beyond the discovery of fraud. There have been testimony and communications supporting this view from the Secretary of Commerce; from the Under Secretaries of War, the Navy, and the Treasury; from the Federal Reserve Board; from the National Association of Manufacturers, the United States Chamber of Commerce, the Automotive Council for War Production, the Aeronautical Chamber of Commerce, the Shipbuilders' Council of America, and various other industrial representatives; and from professional accounting sources, including the contract termination committee of the American Institute of Accountants, and the *Journal of Accountancy*.

I have tremendous respect for the report on war and post-war adjustment policies published by Bernard M. Baruch and John M. Hancock, advisory unit for war and post-war adjustment policies, Office of War Mobilization, February 15, 1944, and the recommendations of these gentlemen are strongly in support of the views I followed on the matter of settlement of canceled contracts.

If you will turn to page 32 of the House Report No. 1590, submitted to the House by the Committee on the Judiciary to accompany the bill, S. 1718, as amended, now before us, you will find the following statement of Mr. Hancock before the Committee on the Judiciary quoted:

The ability to apply standards of business judgment as distinct from strict accounting principles is at the heart of the negotiated settlement.

In conclusion, let me state again that my own view of this important issue is that the provisions of the bill S. 1718, as amended by the Committee on the Judiciary, should be adopted without any change calculated to extend the duties and jurisdiction of the Comptroller General beyond the duties and jurisdiction contemplated in the Budget and Accounting Act.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. MARTIN of Iowa. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Tennessee [Mr. KEFAUVER].

Mr. KEFAUVER. Mr. Chairman, it is very unfortunate that this argument has come up and that there is so much feeling about it, because it may be construed to involve a person for whom every Member of this House of Representatives has the highest respect. We all admire and have the greatest regard for the Comptroller General. We are here dealing with a matter that may effect the economic life of this Nation, and there are two main purposes that we want to attain.

The first purpose we want to accomplish is to get these contracts terminated and get the industries back to work, in order that people may have employment, so we will not have millions and millions of men and women on the relief rolls, and the Government will not have to spend billions and billions of dollars in taking up the slack in employment.

The second objective, and it is of equal importance, is that the interest of the Government be protected to the fullest extent possible commensurate with the great job we have to do. Mr. Chairman, if we could have 6 or 8 months, or a year or 2 years to settle all these contracts, could industry reconvert and reemploy the thousands of people who are going to be dislocated without having to have the money from their terminated contracts I would be in favor of giving the entire job to the Comptroller General. But we know that is not the case. The job must be done quicker than that. The testimony shows that unless these people are paid fairly quickly many of them are not going to be able to get back into civilian production.

I have a high regard for the United States Senate. The United States Senate passed this bill, S. 1718, unanimously. They apparently felt that the interests of the Government were sufficiently protected in the legislation that went through the Senate; but, Mr. Chairman, the bill we are considering today is much stronger in the protection it gives to the Government against fraud or negligence, and it has many more safeguards to prevent any industry or person from getting an unjustifiable claim allowed against the Government. It is much stronger.

I believe everybody realizes that. I think the bill we have before us today is as good a balance as we can get to meet those two objectives that we are trying to reach: First, quick termination and reconversion; and, second, protecting the interest of the Government. I say the bill we have before us is much stronger in protecting the interest of the Government than the Senate bill, because this bill, in the first place, provides certain standards that are to be considered when the contracting agencies make a settlement; there are certain things that cannot be allowed; there are certain items of cost that shall be taken into consideration as allowable claims.

On page 97 of the hearings you will find a letter from Mr. Warren in which he states that these standards will be a great protection and benefit to the Government in the termination of contracts. That is one point that was added to the Senate bill.

Furthermore, the duties and the supervisory capacity of the Comptroller General under this bill are much more meaningful and potent than they were in the Senate bill. If you will examine the section about the Comptroller General, you will find it provides that if he believes that any contract was terminated by virtue of any fraud, he has the right to stop any payments under that contract or apply by way of set-off any amount the contractor may have coming to him from some other contract.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

(Mr. KEFAUVER asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The gentleman from Alabama [Mr. SPARKMAN] is recognized for 4 minutes.

Mr. SPARKMAN. Mr. Chairman, the matter we have before us is the substitute offered by the gentleman from Kentucky as opposed to the bill that has been worked out very carefully by the Judiciary Committee. This substitute comes here as the offering of one individual. It is a very complicated bill, 50 pages long, and has never received the consideration of any committee. Just bear that in mind in voting for or against this substitute. Furthermore, I cannot possibly believe those 13 members of the Military Affairs Committee who did not sign the additional views—I never heard all 13 of them say they were for the bill itself that the committee reported out, but we certainly know that 13 were opposed to it—I cannot believe that they would stand for this substitute. It is hard for me to believe that the gentleman from Texas [Mr. THOMASON] could possibly endorse it because yesterday he debated very strongly against this committee bill on the ground that it set up a director at \$12,000 salary. This substitute sets up a director at \$12,000 salary. I cannot possibly believe that the gentleman from Ohio [Mr. ELSTON] could stand for it because of his strong argument yesterday and his repeated arguments against the establishment of another bureau, yet this bill, in addition to setting up an agency in Washington sets up another agency in each one of the 48

States. Could you have a bigger bureau than that? And listen: The gentleman who offered the amendment that was finally written into the bill which was reported out by the Military Affairs Committee, was the gentleman from Indiana [Mr. HARNES]. His greatest opposition was to this director and this board. He and those who voted with him did not want another agency. They did not want any more bureaucracy, and yet here is a substitute amendment—I am talking about this substitute, not about any individual amendment, but this substitute which is offered for this whole bill—here is all of that bureaucracy in it against which they cried so loudly.

Reference was made to remarks I made yesterday about the Congressional Library Legislative Reference Service, saying they had found no connection between the establishment of the Budget and Accounting Office under the General Accounting Act and the termination of contracts following the last war. Nothing has been read to you from the debates or reports on those bills. I know nothing about them and said so yesterday. What I told you was that the Legislative Reference Service of the Congressional Library reported to me, and that is all I know. They said they found no connection, and I am inclined to believe it for this reason: Mr. Lindsay Warren—and goodness knows we all hold him in very high esteem—said before our committee that he had no power now in the termination of war contracts. If the Budget and Accounting Act had been made for the purpose of meeting those frauds in the last war, why did it leave him out of the termination of war contracts? It did and he has not been in it. We are not trying to take him out; just remember that when they say we are trying to shut him out of the picture, we are not. We are just saying that he ought not to be put into something he has never been in; and there is no need of his being put in now.

It was stated that our allowing these various agencies to make contracts spending three hundred billions without the Comptroller General's being in it was necessary under the stress and strain of the emergency of war. Let me tell you that some people have not yet realized the stress and strain that is coming under the emergency of getting back to peace and getting the wheels of production turning in order to give us economic stability in this country.

The CHAIRMAN. The time of the gentleman from Alabama has expired.

The Chair recognizes the gentleman from Mississippi [Mr. WINSTEAD] for 4 minutes.

Mr. WINSTEAD. Mr. Chairman, I had not intended making any statement concerning this legislation, but it disturbs me to hear the discussion all day yesterday and today. I regret very much to see some feeling between members of the committee on which I serve. We all agree that we must have a speedy reconversion into peacetime production.

As a member of the Committee on Military Affairs I attended practically all the hearings on contract termination. I want to say here and now that I voted

for the bill reported out by the Committee on Military Affairs. I am not necessarily sold on that bill; I am not necessarily sold on the amendment offered by the gentleman from Kentucky [Mr. MAY] here this afternoon. But there is one point I should like to make at this time. If I understand the bill the Committee on Military Affairs reported out it provides that if the Comptroller General does not take action within 6 months the termination of the contract effected by the War Department is binding. Here is the point: Either we put the Comptroller General in this picture or we do not. For 2 months I was opposed to putting the Comptroller General in this picture, but when Lindsay Warren came before our committee I was convinced that he was one man in America who has the courage to stand up to the War Department or any agency of this Government and if he found something that needs correction would have the courage to point it out and seek to correct it.

There has been a great deal said about honesty. We do not question the honesty of the people of this country, but all of us know that we have very liberal spenders of Government funds at this particular time and the War Department is no exception. If Lindsay Warren had the power to go in there and settle these contracts within a short period of time I would want to see the War Department or some other agency have the right to check on that. I believe in the check-and-balance system of government. I am questioning no particular individual or department. I am thinking of the system itself.

Mr. Chairman, we have had certain cases referred to here. Some referred to the Pearl Harbor case. Some referred to other cases. If we do not check these accounts, when this war is over and these boys we are all talking about return home for jobs, they are going to consider more what condition we left this country in and how we have protected the funds of this country than they will the fellow who waves the flag and hollers for bonuses for the soldiers. If this amendment will not do what I would like to see done, offer it and I will support it. How in the name of God can any of us stand up here and take the Comptroller General out of this picture completely if the time is limited to 6 months for him to take action or not take action when we agreed to pay them in full in complete settlement of the agreed amount, 90 percent of disputed amounts, and with a 10 percent guaranteed loan on the remainder?

Mr. COLMER. Will the gentleman yield?

Mr. WINSTEAD. I yield to the gentleman from Mississippi.

Mr. COLMER. The gentleman argues that under the amendment the Comptroller General would have to do all of this auditing in 6 months; is that correct?

Mr. WINSTEAD. That is what I thought it intended.

Mr. COLMER. I understand it does that. Will the gentleman tell us how the Comptroller General can audit over

a million subcontracts and 100,000 prime contracts in 6 months and not result in a lot of chaos?

Mr. WINSTEAD. I cannot, but he will have the privilege of auditing any particular contracts or spot checking and that will hold a club over the heads of all contracting officers and contractors. This provides a safeguard where billions of dollars are involved.

The CHAIRMAN. The time of the gentleman has expired.

(Mr. WINSTEAD asked and was given permission to revise and extend his own remarks in the Record.)

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. WALTER].

Mr. WALTER. Mr. Chairman, during the course of this debate so many arguments have been advanced that are without foundation that I wonder what the real interest in this legislation is that has been displayed by the people who suggest the General Accounting Office ought to have more authority than it has ever had. On yesterday the distinguished gentleman from Texas [Mr. THOMASON] pointed out a number of atrocity cases. But let us look at the record. All of these cases were called to the attention of the Committee on Military Affairs by Lindsay Warren and subsequently the Under Secretary of War appearing before that committee testified as follows:

The General Accounting Office has made no exceptions to 99.9 percent of the vouchers submitted to it by the War Department for audit in the 4 months ending with August 1943.

But the record is even better than these figures indicate.

The majority of suspensions by the General Accounting Office are merely temporary until further supporting documents are submitted and do not involve any real question as to the propriety of the payment.

The second fact is this:

Aside from the item called to the attention of the War Department, the disallowances by the General Accounting Office have currently totaled less than 10 cents per thousand dollars of expenditures under War Department contracts.

Then the Under Secretary of War proceeded to show that in every one of the cases called to the attention of the Committee on Military Affairs by the Comptroller General, there was a complete explanation and that subsequent to the objections filed by the Comptroller General the General Accounting Office approved the claims.

I do not know what the real opposition is to this bill, as I said before, but I do know that the argument advanced yesterday that we were setting up a new bureaucracy no longer prevails because the gentleman from Kentucky [Mr. MAY] has multiplied the bureaucracy in this amendment he has offered many times over; therefore I cannot understand the argument that if personnel from the War Department is used in the General Accounting Office there will be no fraud. Imagine anything as ridiculous as that. These men walk out of the War Department, take off their horns, walk into the General Accounting Office, and immediately there is a halo over their heads.

Mr. BATES of Massachusetts. Will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Massachusetts.

Mr. BATES of Massachusetts. The members of the Committee on Naval Affairs gave many months' study to this problem of termination of contracts and they agree with the bill reported to the House by the Committee on the Judiciary.

Mr. WALTER. Mr. Chairman, the gentlewoman from Illinois [Miss SUMNER] asked a question that was not answered. The answer to the question whether settlement cannot be discounted or a loan made on the settlement is just this: There is no degree of finality to a settlement if the General Accounting Office after the settlement has been made can object to the allowances made. That being the case, no banking institution is willing to make a loan on a commitment that is not a final settlement.

Mr. KEEFE. Will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Wisconsin.

Mr. KEEFE. Is it not a fact that today we have in the renegotiation practice and procedure a situation where representatives of the contracting agencies of the Government sit on opposite sides of the table and agree or attempt to agree upon renegotiation?

Mr. WALTER. Yes.

Mr. KEEFE. In that situation the Comptroller General's office is not at all represented?

Mr. WALTER. Of course not. Furthermore, one of the objections to the renegotiation law and also to the contract-termination law is that the war contractor will be dealt with unfairly. The history has been that the Government's representatives have been very harsh in their treatment of the contractor.

Mr. KEEFE. May I ask this question: Is it not a fact—at least it is in the district I come from—that there is no complaint that the representatives of the contracting agencies are dealing so leniently with industry that you may say it indicates possible collusion or fraud? Just the contrary is indicated, even though those who made the contracts are negotiating at arm's length with each other across the table.

Mr. WALTER. Of course, that is the fact. Also all of this talk about swollen war profits has no place in this debate because that is a situation that may be dealt with in another manner.

The CHAIRMAN. The time of the gentleman has expired. All time has expired.

Mr. MAY. Mr. Chairman, I rise for the purpose of making a unanimous-consent request. The gentleman from Illinois [Mr. SABATH], chairman of the Rules Committee, was told by me when this came up that I would let him know. He wanted time. I sent for him but the page did not find him. I have finally got him here. I ask unanimous consent that the gentleman may have 5 minutes to debate this matter.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky [Mr. MAY]?

Mr. BATES of Massachusetts. Mr. Chairman, I object.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kentucky [Mr. MAY] to section 1 of the bill.

The amendment was rejected.

The CHAIRMAN. The Clerk will read.

Mr. SUMNERS of Texas. Mr. Chairman, the gentleman from Kentucky [Mr. MAY] saved a lot of time for us by submitting a unanimous-consent request that his amendment be printed in the RECORD. I now ask unanimous consent that the entire bill be printed in the RECORD and that it may be open to amendment at any place in the bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas [Mr. SUMNERS]?

Mr. MAY. Mr. Chairman, reserving the right to object, I would like to inquire of the gentleman from Texas if it is the purpose of the Committee to undertake to complete this bill today?

Mr. SUMNERS of Texas. We want to go just as far as we can, I will say to the gentleman from Kentucky. I think probably the entire membership of the House will participate in that hope.

Mr. MAY. I think that would be an unintelligent way of handling the matter, for the reason that if we eliminate the reading of the bill, we will not know what the section is all about. I object to the unanimous-consent request.

The Clerk read as follows:

SURVEILLANCE BY CONGRESS

SEC. 2. (a) To assist the Congress in appraising the administration of this act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the act.

(b) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his duties and authority under this act, the status of contract terminations, termination settlements, and interim financing and such other pertinent information on the administration of the act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

DEFINITIONS

SEC. 3. As used in this act—

(a) The term "prime contract" means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term "prime contractor" means any holder of one or more prime contracts.

(b) The term "subcontract" means any contract, agreement, or purchase order heretofore or hereafter entered into to perform all or any part of the work, or to make or furnish any material to the extent that such material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term "subcontractor" means any holder of one or more subcontracts.

(c) The term "war contract" means a prime contract or a subcontract; and the term

"war contractor" means any holder of one or more war contracts.

(d) The terms "termination," "terminate," and "terminated" refer to the termination or cancellation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

(e) The term "material" includes any article, commodity, machinery, equipment, accessory, part, component, assembly, work in process, maintenance, repair, and operating supplies, and any product of any kind.

(f) The term "Government agency" means any executive department of the Government, or any administrative unit or subdivision thereof, any independent agency or any corporation owned or controlled by the United States in the executive branch of the Government, and includes any contracting agency.

(g) The term "contracting agency" means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board.

(h) The term "termination claim" means any claim or demand by a war contractor for fair compensation for the termination of any war contract and any other claim under a terminated war contract, which regulations prescribed under this act authorize to be asserted and settled in connection with any termination settlement.

(i) The term "interim financing" includes advance payments, partial payments, loans, discounts, advances, and commitments in connection therewith, and guaranties of loans, discounts, advances, and commitments in connection therewith and any other type of financing made in contemplation of or related to termination of war contracts.

(j) The term "Director" means the Director of Contract Settlement.

(k) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(l) The term "termination inventory" means any materials (including a proper part of any materials common to two or more contracts), properly allocable to a terminated war contract, except any machinery or equipment subject to a separate contract specifically governing the use or disposition thereof.

(m) The term "final and conclusive," as applied to any settlement, finding, or decision, means that such settlement, finding, or decision shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of the United States or in any suit, action, or proceeding except as provided in this act.

Mr. COCHRAN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I take the floor for the purpose of being enlightened as to whether or not there are any exceptions in this bill in reference to the post audit of contracts. No one seems to indicate that there are any exceptions. The reason I ask that question is this: I know of two instances in my own vicinity where the Government owns every inch of the ground, every one of the buildings, every machine in the shops, and every tool. They are tremendous plants. One is the largest small-arms ammunition plant that the world has ever known. The other one is 25 miles away from my district and is a very large plant. It manufactured DNT and TNT.

The Government built both plants and leased them to two corporations. In both instances the corporation was the subsidiary of a large corporation. The DNT and the TNT plant is closed entirely. The only people left out there, as I understand, are the guards. The other plant was formerly operating night and day, but it reached its objective; in other words, the Army had a sufficient amount of ammunition that it needed, so it curtailed production. They are only manufacturing now what is needed to put into storage to take the place of the ammunition that is being withdrawn and sent abroad.

I would like to ask the gentleman from Pennsylvania, when neither of the plants will be subject to reconversion, when the contract is terminated why any harm would result if the contractor should be subject to a preaudit before final settlement?

Mr. WALTER. Of course, in the case the gentleman is talking about, the contract is between the Government and a private individual to do certain things, to make certain ammunition. There is an understanding with the war contractor as to the extent of the supplies required. The people that go to work in that plant know full well that it is not a permanent thing, and they know that when the supplies are furnished to the Government, that will be the end of the need for that plant.

Mr. COCHRAN. What I asked the gentleman was this, in view of the fact that there is no opportunity for jobs in those plants, because there will be no reconversion, why should there not be a preaudit before final settlement? He did not answer.

Mr. WALTER. That is probably a cost-plus-fixed-fee contract. Unquestionably it was. As the work was being done, there was a continuous audit made by the General Accounting Office in order to determine the cost of the material covered by that contract.

Mr. THOMASON. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. I yield to the gentleman from Texas.

Mr. THOMASON. Of course, there should be a preaudit. May I add that if the so-called Walter bill in its present form passes, the Comptroller General passes out of the picture, and has nothing in the world to do with the contractor's agreement, and the termination agreement as made by the contractor and the representative of the War Department is final.

Mr. WALTER. If the gentleman will yield, the statement just made by the gentleman from Texas is not the fact. The General Accounting officer will participate in the settlements of these claims to the same extent that he participates in the settlement of all claims. He will not, however, be placed in the position where he can use his judgment.

Mr. COCHRAN. I have always felt the Comptroller General, whose office was created to protect the Treasury, should never be removed from the picture in arriving at the final settlement. I call attention to a class of contractors whose corporation was created solely to carry

out a Government war contract that will pass out of existence when the war ends. A class that has no idea of continuing in business after the war ends. I submit it would be no hardship if in such cases final payment was withheld until the Comptroller General completed his preaudit. Then if it is found there is money due the Government it can be withheld from the 10 or 20 percent due. That seems to be sound. You provided for a postaudit of transportation charges made under the Land Grant Railroad Act and it is estimated when the Comptroller General gets through he will show several hundred million dollars in overpayments. We can collect that by withholding from future payments.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. COCHRAN. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. THOMASON. If the gentleman will yield further, I will agree with my friend from Pennsylvania that by his magnanimity the Comptroller General will have a seat at the table, but he will not have one speck of authority.

Mr. COCHRAN. Mr. Chairman, if there are two such plants, one in my own district and one within 25 miles of my district, how many more are there throughout the United States?

Assume that 80 or 90 percent has been paid to the contractor. Cannot we wait before we pay the final 20 or 10 percent until there has been a preaudit? What objection could there be to that in cases where there is absolutely going to be no reconversion of the plant? This, you say, is to expedite conversion to make jobs, but in these cases there will be no jobs. The only jobs there will be will be the watchmen, because you are not going to reconvert the plant. Probably in time the plants will be sold.

According to what you say, the Comptroller General will have authority where there is fraud. Suppose he finds what might be termed unethical business practices. Unethical business practices cannot stand up in court as fraud, but under ordinary conditions in preauditing contracts for the Government the Comptroller General has always seen that unethical business practices were taken in consideration, as he should.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. COCHRAN. I yield to the gentleman from Kentucky.

Mr. MAY. May I say to the gentleman that the investigation we have been conducting discloses that there are a good many cases of that kind, and in many of the instances it is in the name of a subsidiary that is insolvent to begin with.

Mr. COCHRAN. I am just calling the matter to the attention of the House and to those in charge of the bill. Where there are two such situations, one in my district and one 25 miles away, there must be hundreds throughout the United States. We should allow at least a pre-

audit of the last 10 or 20 percent due the contractor before we make the final settlement. The way to do it is to give the Comptroller General the authority.

The CHAIRMAN. The time of the gentleman from Missouri has again expired.

Mr. J. LEROY JOHNSON. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. BREHM. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield to the gentleman from Ohio.

Mr. BREHM. The question came up in my mind as to what assurance the gentleman from Missouri has that these plants to which he has referred may not be reconverted or turned over to a different type of industry?

Mr. COCHRAN. My reason for believing that is that the Government owns them both. One of them cost over \$100,000,000 and the other cost nearly \$100,000,000. Who is going to buy them?

Mr. BREHM. That is no answer to my question.

Mr. COCHRAN. Why is it not an answer?

Mr. BREHM. The subsidiary of which the gentleman speaks can still reconvert and utilize this property by agreement with the Government and perhaps afford employment to thousands in the post-war period.

Mr. WASIELEWSKI. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield to the gentleman from Wisconsin.

Mr. WASIELEWSKI. Can the gentleman tell us whether or not the contracts that are prematurely terminated are subject to renegotiation?

Mr. J. LEROY JOHNSON. I do not know. I wanted to discuss another matter.

Mr. Chairman, the reason I take this time is that I have an amendment to the next section that I consider very important, an amendment that will strengthen this bill. I should like you to have that amendment in mind when the section is read.

Section 4 of this bill gives the director of contract settlement certain supervisory powers, but he has no power to participate in the actual settlement of these contracts himself. This law if adopted will relegate to the contracting agency and to the contractor the complete power to negotiate and settle the contract. The result is that you have two contending and partisan factions there that are trying to arrive at a just settlement of a contract.

The gentleman from Tennessee mentioned the fact that the two fundamental basic purposes of this bill are to get speedy settlements and also to get just settlements. When I say "just" I mean just settlements to the contractors and just settlements to the Government.

This is a situation that might confront you. You might have a very shrewd, capable contractor dealing with Army officers or Navy officers or marine officers who have not had experience in contracting in the particular work that the contractor is doing. I am fearful that in some instances these contractors will

outwit, they will outbargain, they will outmaneuver the Government, and get too much money.

On the other hand, there are in the Army and the Navy all kinds of personalities, and the men that negotiate these contracts have the life and death of the contractors in their control. If the contracting officer is stubborn, he might simply offer a settlement that was absolutely unreasonable, and the contractor could do nothing but accept it or else go into court. On the other hand, there might be a Government agent representing the taxpayers of this country who would be liberal, his own money not being at stake, and he could say \$250,000 as easily as \$200,000, with the result that too much liberality might be indulged in.

I have talked this matter over with Army contracting officers, and I have talked it over with district termination officers, and a good many of them agree with me that they would welcome some governmental agent there to help share their responsibilities to arrive at a fair and just settlement. The agent of the director of contract settlement would be the man to help them arrive at a balanced settlement.

My amendment proposes to give the Director of Contract Settlement the right, at his discretion, to appoint someone to participate in those negotiations. I know some of the gentlemen here know from experience in lawsuits that opinion as to what should be paid, as to what the value of a property is, varies as widely as the two poles of the earth. There has to be someone to bring these people together on an equitable basis.

Mr. GWYNNE. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield to the gentleman from Iowa.

Mr. GWYNNE. Does not the gentleman think that can now be done under this bill?

Mr. J. LEROY JOHNSON. I do not. As I read the bill, it does not give him that authority. I want to write that into the bill specifically so the director will not only have the power to make procedures uniform but will have the power to participate in the settlement arrived at. Incidentally, he might get information about something that is going on in one of these negotiations that is not just right, and he could enter the case. I appreciate that if he does enter the case the contract settlement cannot become final until he agrees to it, and he has to agree to it within 30 days of the time the contractor and the Government have agreed on the settlement.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield to the gentleman from Tennessee.

Mr. COOPER. I am sure the gentleman has a very worthy motive and purpose to serve, but it strikes me that the observation made by the gentleman from Iowa is quite true. How can this director do his job as he is required to do it under this bill unless he does that very thing?

Mr. J. LEROY JOHNSON. The only way I can answer the gentleman is by

saying that the language of the bill, in my opinion, does not give him that power and he cannot, under this bill as written, do the job we want him to do. I challenge the gentleman to show me any specific language that does give him that power.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. SUMNERS of Texas. Mr. Chairman, I renew my request, and ask unanimous consent that the remainder of the bill be considered as read and be printed in the RECORD at this point, with the understanding that it is open to amendment at any place in the bill.

Mr. MAY. Reserving the right to object, am I correct in understanding that as we go through the bill the section numbers will be called so that Members can offer amendments if they desire?

Mr. SUMNERS of Texas. That is a good suggestion.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The remainder of the bill is as follows:

DIRECTOR OF CONTRACT SETTLEMENT

Sec. 4. (a) There is hereby established the Office of Contract Settlement, which shall be headed by the Director of Contract Settlement. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per year, and shall serve for a term of 2 years.

(b) In order to insure uniform and efficient administration of the provisions of this act, the Director, subject to such provisions, by general orders or general regulations—

(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this act; and

(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this act.

(c) The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section. Each Government agency shall carry out such orders and regulations of the Director expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary to carry out the policies, principles, methods, procedures, and standards prescribed by the Director. Any Government agency may issue such further regulations not inconsistent with the general orders or regulations of the Director as it deems necessary or desirable to carry out the provisions of this act.

(d) The Director may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel in accordance with the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this act. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may employ certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and contract with certified public accounting firms and qualified firms of engineers in the discharge of the duties imposed upon him and in furtherance of the objectives and

policies of this act. The Director shall perform the duties imposed upon him through the personnel and facilities of the contracting agencies and other established Government agencies, to the extent that this does not interfere with the function of the Director to insure uniform and efficient administration of the provisions of this act.

(e) All policies, principles, methods, procedures, and standards when prescribed by the Director pursuant to subsection (b) of this section, and all regulations when issued by any Government agency, pursuant to subsection (c) of this section, shall be published in the Federal Register.

CONTRACT SETTLEMENT ADVISORY BOARD

Sec. 5. There is hereby created a Contract Settlement Advisory Board, with which the Director shall advise and consult. The Board shall be composed of the Director, who shall act as its Chairman, and of the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the chairman of the board of directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the chairman of the board of directors of the Smaller War Plants Corporation, and the Attorney General or any alternate representative designated by any of them. The Director shall request other Government agencies to participate in the deliberations of the Board whenever matters specially affecting them are under consideration.

Sec. 6. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, to provide war contractors with speedy and fair compensation for the termination of any war contract, in accordance with and subject to the provisions of this act. Such fair compensation for the termination of subcontracts shall be based on the same principles as compensation for the termination of prime contracts.

(b) Each contracting agency shall establish methods and standards, suitable to the conditions of various war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work under the terminated contract, or on any other equitable basis, as it deems appropriate. To the extent that such methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

(c) Any contracting agency may settle all or any part of any termination claim under any war contract by agreement with the war contractor, or by determination of the amount due on the claim or part thereof without such agreement, or by any combination of these methods. Where any such settlement is made by agreement, the settlement shall be final and conclusive, except (1) to the extent otherwise agreed in the settlement; (2) for fraud; (3) upon renegotiation to eliminate excessive profits under the Renegotiation Act, unless exempt or exempted under that act; or (4) by mutual agreement before or after payment. Where any such settlement is made by determination without agreement, it shall likewise be final and conclusive, subject to the same exceptions as if made by agreement, unless the war contractor appeals or brings suit in accordance with section 13 of this act.

(d) Except as provided below, the methods and standards established under subsection (b) of this section for determining fair compensation for termination claims which are not settled by agreement shall allow the costs incurred by the contractor which are reasonably necessary for the performance of the

contract, and are properly allocable to the terminated part of the contract under recognized commercial accounting practices, including the direct and indirect manufacturing, selling, and distribution, administrative, and other proper costs, and such allowance for profit on the preparations made and work done for the terminated part of the contract as is reasonable under the circumstances, plus interest on the termination claim in accordance with subsection (f) of this section.

In particular, in any such settlement made by determination without agreement, the following costs shall be considered to the extent they are properly allocable to the terminated part of the contract:

(1) The reasonable cost of settling and paying termination claims under terminated subcontracts, including the claims which are common to the terminated contract and to other work of the contractor.

(2) The cost of items of termination inventory.

(3) An allowance for depreciation at appropriate rates on buildings, machinery, and equipment, and other facilities including such amounts for obsolescence due to progress in the arts and other factors as are ordinarily considered in determining depreciation rates, but not including any amount for loss of the type covered by subparagraph (6).

(4) General experimental and research expense to the extent consistent with an established pre-war program, or to the extent related to war purposes.

(5) Costs of engineering and development and of special tooling, if the contractor protects any interests of the Government by transfer of title or by other means deemed appropriate by the contracting agency.

(6) Loss on special facilities acquired solely for the performance of the contract, or the contract and other war contracts, to the extent authorized by regulations of the director, on condition that the contractor protects the interests of the Government by transfer of title to the facilities or by other means deemed appropriate by the contracting agency.

(7) (i) Rentals under leases clearly shown to have been made for the performance of the contract, or the contract and other war contracts, covering the period necessary for complete performance of the contract and such further period as may have been reasonably necessary; (ii) costs of reasonable alteration of such leased property made for the same purpose; and (iii) costs of restoring the premises, to the extent required by reasonable provisions of the lease; less (iv) the residual value of the lease; provided that the contractor has made reasonable efforts to terminate, assign, or settle such leases or otherwise reduce the cost thereof.

(8) Advertising expense to the extent consistent with a pre-war program or to the extent reasonable under the circumstances.

(9) In no event shall the aggregate of the amounts allowed under paragraphs (4), (5), (6), (7), and (8) exceed the amount which would have been available from the contract price to cover these items, if the contract had been completed, after considering all other costs which would have been required to complete it.

(10) Interest on borrowings.

(11) Reasonable accounting, legal, clerical, and other expenses necessary in connection with the termination and settlement of the contract and subcontracts thereunder, including expenses incurred for the purpose of obtaining payment from the Government only to the extent reasonably necessary for the preparation and presentation of settlement proposals and cost evidence in connection therewith.

(12) Storage, transportation, and other costs incurred for the protection of materials acquired or produced for the contract or in

connection with the disposition of such materials.

Costs of nonrecurring nature which arise from unfamiliarity with the product in the initial stages of production, such as high direct labor and overhead costs, including training, costs of excessive rejections, and similar items, shall be appropriately apportioned between the completed and terminated parts of the contract.

The following shall not be included as elements of cost:

(i) Losses on other contracts, or from sales or exchanges of capital assets, fees and other expenses in connection with reorganization or recapitalization, antitrust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government (except as provided in paragraph (11) above); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

(ii) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

(iii) Expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

(iv) Costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

(v) Costs which, as evidenced by accounting statements submitted in renegotiation under the Renegotiation Act, were charged off during a period covered by a previous renegotiation if a refund was made for such period or to the extent that such charging off is shown to have avoided such refund.

The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (d) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

Where the small size of claims or the nature of production or performance or other factors make it impracticable to apply the principles stated in this subsection (d) to any class of settlements which are subject to this subsection (d), the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims. The aggregate amount of compensation allowed in accordance with this subsection (excluding amounts allowed under paragraphs (11) and (12) above) shall not exceed the total contract price reduced by the amount of payments otherwise made or to be made under the contract.

(e) In order to carry out the objectives of this act, termination claims shall be settled by agreement to the maximum extent feasible and the methods and standards established under subsection (b) of this section shall be designed to facilitate such settlements. To the extent that he deems it practicable to do so without impeding expeditious settlements, the Director shall require the contracting agencies to take into account the factors enumerated in subsection (d) above in establishing methods and standards for determining fair compensation in the settlement of termination claims by agreement.

(f) Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of 2½ percent per annum for the period beginning 30 days after the date fixed for termination and ending with the date of final payment, except that (1) if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue for the period of such delay, (2) if interest

for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder, and (3) if after delivery of findings by a contracting agency, the contractor appeals or sues as provided in section 13, interest shall not accrue after the thirtieth day following the delivery of the findings on any amount allowed by such findings, unless such amount is increased upon such appeal or suit. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis and subject to the same conditions as are applicable to a prime contractor.

(g) Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

SEC. 7. (a) Where, in connection with the settlement of any termination claim by a contracting agency, any war contractor makes settlements of the termination claims of his subcontractors, the contracting agency shall limit or omit its review of such settlements with subcontractors to the maximum extent compatible with the public interest. Any contracting agency (1) may approve, ratify, or authorize such settlements with subcontractors upon such evidence, terms, and conditions as it deems proper; (2) shall vary the scope and intensity of its review of such settlements according to the reliability of the war contractor, the size, number, and complexity of such claims, and other relevant factors; and (3) shall authorize war contractors to make such settlements with subcontractors without review by the contracting agency, whenever the reliability of the war contractor, the amount or nature of the claims, or other reasons appear to the contracting agency to justify such action. Any such settlement of a subcontract approved, ratified, or authorized by a contracting agency shall be final and conclusive as to the amount due to the same extent as a settlement under subsection (c) of section 6 of this act, and no war contractor shall be liable to the United States on account of any amounts paid thereon except for his own fraud.

(b) Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments to the war contractor on account of termination claims of subcontractors of such war contractor to such extent and in such manner as it deems necessary or desirable for the purpose of assuring the receipt of the benefit of such payments by the subcontractors.

(c) The Director shall prescribe policies and methods for the settlement as a group, or otherwise, by any contracting agency of some or all of the termination claims of a war contractor under war contracts with one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. After consulting with the contracting agencies concerned, the Director may provide for assigning any war contractor to a contracting agency for such settlement, and such agency shall have authority to settle, on behalf of any other contracting agency, some or all of the termination claims of such war contractor.

(d) Any contracting agency may settle directly termination claims of subcontractors

to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. In making such termination settlements any contracting agency may discharge the claim of the subcontractor by payment or may purchase such claim, and may agree to assume, or indemnify the subcontractor against, any claims by any person in connection with such claim or the termination settlement. Any contracting agency undertaking to settle the termination claim of any subcontractor shall deliver to the subcontractor and the war contractor liable to him written notice stating its acceptance of responsibility for settling his claim and the conditions applicable thereto, which may include the release, or assignment to the contracting agency, of his claim against the war contractor liable to him; upon consent thereto by the subcontractor, the Government shall become liable for the settlement of his claims upon the conditions specified in the notice.

(e) Any contracting agency may make settlements with subcontractors in accordance with any of the provisions of this act without regard to any limitation on the amount payable by the Government to the prime contractor.

(f) If any contracting agency determines that in the circumstances of a particular case equity and good conscience require fair compensation for the termination of a war contract to be paid to a subcontractor who has been deprived of and cannot otherwise reasonably secure such fair compensation, the contracting agency concerned may nevertheless pay such compensation to him.

INTERIM FINANCING

SEC. 8. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, in accordance with and subject to the provisions of this act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within 30 days after proper application therefor.

(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guarantees in connection therewith, in contemplation of or related to termination of war contracts. Where interim financing is made by advance payments or partial payments, it shall, insofar as practicable, consist of the following:

(1) An amount equal to 100 percent of the amount payable, at the contract price, on account of acceptable items completed prior to the termination date under the terms of the contract, or completed thereafter with the approval of the contracting agency; plus

(2) An amount equal to 90 percent of the cost of raw materials, purchased parts, supplies, direct labor, and manufacturing overhead allocable to the terminated part of the war contract; plus

(3) A reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated war contract not included in the foregoing; plus

(4) Such additional amounts, if any, as the contracting agency deems necessary to provide the war contractor with adequate interim financing.

(5) In lieu of the costs referred to in clauses (2) and (3) of this subsection, where a detailed ascertainment of such costs is not suitable to the conditions of any war contractor and is apt to cause delay in the obtaining of interim financing by him, that portion of such interim financing shall be equal to an amount not greater than 90 percent of the estimated costs which are allocable to the terminated part or parts of the war contract or group of war contracts, and are ascertained in accordance with such

methods and standards as the Director shall prescribe.

(6) There shall be deducted from the amount of such interim financing any unliquidated balances of advance and partial payments theretofore made to such war contractor, which are allocable to the terminated war contract or the terminated part of the war contract.

(c) The Director shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made including the use of standard forms for agreements with respect to such interim financing to the extent practicable; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speed interim financing to subcontractors of the war contractor.

(d) The obligation to pay any penalty imposed and to repay any interim financing made or assumed by the United States under this act shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).

(e) Any contracting agency may allow any advance payments, previously made or authorized by it in connection with the performance of a war contract, to be used for payments and expenses related to the termination settlement of such contract, upon such terms and conditions as it deems necessary or appropriate to protect the interest of the Government.

(f) No interim financing shall be made by any contracting agency under this act unless the terms of such financing provide for the liquidation by the war contractor of all loans, discounts, advance payments, or partial payments thereunder not later than the time of final payment of the amount due on the settlement of the termination claim or claims of the war contractor involved or such time thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.

(g) Any contracting agency may settle, upon such terms and conditions as it deems proper, any claim or obligation due by or to the Government arising from or related to any interim financing made, acquired, or authorized by it. Any interim financing made, acquired, or authorized by any contracting agency before the effective date of this act shall be valid to the extent it would be authorized under the provisions of this act if made after its effective date.

SEC. 9. (a) Any contracting agency may make advance or partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such advance or partial payments by any war contractor to his subcontractors, upon such conditions as it deems necessary to insure compliance with the provisions of subsection (b) of this section. Each contracting agency shall make final payments from time to time on partial settlements or on settlements, fixing a minimum amount due before complete settlement, or as tentative payments before any settlement of the claim or claims.

(b) Where any such advance or partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, except a final payment on a partial settlement, any amount in excess of the amount finally determined to be due on the termination claim shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand, together with a penalty computed at the rate of 6 percent per annum, for the period from the date such excess advance or partial payment is received to the date on which such excess is repaid or extin-

guished. Where the advance or partial payment was made by a war contractor and authorized, approved, or ratified by any contracting agency, the war contractor making it shall not be liable for any such excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

SEC. 10. (a) Any contracting agency is authorized—

(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of the termination of one or more such war contracts or operations;

(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.

ADVANCE NOTICE

SEC. 11. (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, each contracting agency—

(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

(2) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

(b) Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for 30 days or more, the contractor may elect to treat it as a termination by delivering written notice of his election so to do to the contracting

agency, at any time before the contracting agency directs the prime contractor to resume work under the contract.

(c) The Director shall have no authority under this act to regulate or control the classes of contracts to be terminated by the contracting agencies.

REMOVAL AND STORAGE OF MATERIALS

SEC. 12. (a) It is the policy of the Government, upon the termination of any war contract, to assure the expeditious removal from the plant of the war contractor of the termination inventory not to be retained or sold by the war contractor.

(b) Any war contractor may submit to the contracting agency concerned or to any other Government agency designated by the Director, one or more statements showing the materials which such war contractor claims to be termination inventory under one or more war contracts and desires to have removed by the Government. Such statements shall be prepared in such form and detail, shall be submitted in such manner, through the prime contractor or otherwise, and shall be supported by such certificates or other data, as may be prescribed under this act.

(c) Within 60 days after the submission of any such statement by a war contractor, or such shorter period as may be prescribed under this act, or within such longer period as the war contractor may agree, the Government agency concerned (1) shall arrange, upon such terms and conditions as may be agreed, for the storage by the war contractor on his own premises or elsewhere of all such claimed termination inventory which the war contractor does not retain or dispose of, except any part which may be determined not to be allocable to the terminated war contract or contracts, or (2) shall remove from the plant or plants of the war contractor all of such claimed termination inventory not retained, disposed of, or stored by the war contractor or determined not to be allocable to the terminated war contract or contracts.

(d) Upon the failure of the Government so to arrange for storage by the war contractor or to remove any termination inventory within the period specified under subsection (c) of this section, the war contractor, subject to regulations prescribed under this act, may remove some or all of such termination inventory from his plant or plants and may store it on his own premises or elsewhere for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation. If any war contractor intends so to remove any claimed termination inventory, he shall deliver to the Government agency concerned written notice of the date fixed for removal and a statement showing the quantities and condition of the materials so to be removed, certified on behalf of the war contractor to have been prepared in accordance with a concurrent physical inventory of such materials. Such notice and statement shall be delivered at least 20 days in advance of the date fixed for removal and may be delivered before or after the expiration of the period specified under subsection (c) of this section. If the Government agency fails to check such materials, at or before the time of their removal by the war contractor, a certificate of the war contractor specifying the materials shown on such statement which were so removed, and filed with the Government agency concerned within 30 days after the date fixed for removal, shall constitute prima facie evidence against the United States as to the quantities and condition of the material so removed, and the fact of their removal.

(e) Notwithstanding any other provisions of law, but subject to subsection (h) of this section, the contracting agency concerned or the Director, or any Government agency

designated by him, on behalf of the United States, may, by the exercise of any contract rights or otherwise, acquire and take possession of any termination inventory of any war contractor, and any materials removed by the Government or stored for its account under subsections (c) and (d) of this section, even if such materials are finally determined not to constitute termination inventory. With respect to any such materials, the Government shall be liable to any war contractor concerned only for their return to such war contractor or for their disposal value at the time of their removal or for the proceeds realized by the Government from their disposal, at the election of the Government agency concerned, unless the Government agency and the war contractor agree or have agreed on a different basis. Any amount so paid or payable to a war contractor for materials allocable to a terminated war contract shall be credited against the termination claim under such contract but shall not otherwise affect the amount due on the claim, unless the Government agency concerned and the war contractor agree or have agreed otherwise. Any materials to which the Director takes title under this section shall be delivered for disposal to any appropriate Government agency authorized to make such disposal.

(f) No contracting agency shall postpone or delay any termination settlement beyond the period specified in subsection (c) of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection (b) of this section.

(g) Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned machinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within 60 days after such demand or such other period as may be prescribed under this act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provision for the retention, storage, maintenance, or disposition of such machinery, tools, or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this act, may remove all or part of such machinery, tools, or equipment from his plant and may store it on his own premises or elsewhere, for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation.

(h) Nothing in this act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any termination inventories and to retain them for their use for any purpose or to dispose of such termination inventories for the purpose of war production, or to authorize any war contractor to retain or dispose of such termination inventories for the purpose of war production.

(i) Nothing in this section shall be construed to prevent the removal and storage of any termination inventory by any war contractor, at his own risk, at any time after termination of any war contract to which it is allocable.

APPEAL

SEC. 13. (a) Whenever the contracting agency responsible for settling any termination claim has not settled the claim by agreement or has so settled only a part of the claim, (1) the contracting agency at any time may determine the amount due on such claim or such unsettled part, and prepare written findings indicating the basis of the determination, and deliver a copy of such findings to the war contractor, or (2) if the termination claim has been submitted in the manner and substantially the form prescribed under this act, the contracting agency, upon written demand by the war contractor for such findings, shall determine the amount due on the claim or unsettled part and prepare and deliver such findings to the war contractor within 90 days after the receipt by the agency of such demand. In preparing such findings, the contracting agency may require the war contractor to furnish such information and to submit to such audits as may be reasonably necessary for that purpose. Within 30 days after the delivery of any such findings, the contracting agency shall pay to the war contractor at least 90 percent of the amount thereby determined to be due, after deducting the amount of any outstanding interim financing applicable thereto.

(b) Whenever any war contractor is aggrieved by the findings of a contracting agency on his claim or part thereof or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

(1) appeal to the Appeal Board in accordance with subsection (d) of this section; or

(2) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (28 U. S. C. 41 (20)), except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, or any corporation owned or controlled by the United States, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.

(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

(1) When any contracting agency provides a procedure within the agency for protest against such findings or for other appeal therefrom by the war contractor, the war contractor, before proceeding under subsection (b) of this section, (i) in his discretion may resort to such procedure within the time specified in this contract or, if no time is specified, within 30 days after the delivery to him of the findings; and (ii) shall resort to such procedure for protest or other appeal to the extent required by the Director, but failure of the contracting agency to act on any such required protest or appeal within 30 days shall operate as a refusal by the agency to modify its findings. Any revision of the findings by the contracting agency, upon protest or appeal within the agency, shall be treated as the findings of the agency for the purpose of appeal or suit under subsection (b) of this section. Notwithstanding any contrary provision in any war contract, no war contractor shall be required to protest or appeal from such findings within the contracting agency except in accordance with this paragraph.

(2) A war contractor may initiate proceedings in accordance with subsection (b) of this section (i) within 90 days after delivery to him of the findings by the contracting agency, or (ii) in case of protests or appeal within the agency, within 90 days after the determination of such protest or appeal, or (iii) in case of failure to deliver such find-

ings, within 1 year after his demand therefor. If he does not initiate such proceedings within the time specified, he shall be precluded thereafter from initiating any proceedings in accordance with subsection (b) of this section, and the findings of the contracting agency shall be final and conclusive, or if no findings were made, he shall be deemed to have waived such termination claim.

(3) Notwithstanding any contrary provision in any war contract, the Appeal Board or court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that the amount due on his claim or part thereof exceeds the amount allowed by the findings of the contracting agency. Whenever the Appeal Board or court finds that the war contractor failed to negotiate in good faith with the contracting agency for the settlement of his claim or part thereof before appeal or suit thereon, or failed to furnish to the agency any information reasonably requested by it regarding his termination claim or part thereof, or failed to prosecute diligently any protest or appeal required to be taken under subsection (c) (1) (ii) of this section, the Appeal Board or court (i) may refuse to receive in evidence any information not submitted to the contracting agency; (ii) may deny interest on the claim or part thereof for such period as it deems proper; or (iii) may remand the case to the contracting agency for further proceedings upon such terms as the Appeal Board or court may prescribe. Unless the case is remanded, the Appeal Board or court shall enter the appropriate award or judgment on the basis of the law and facts, and may increase or decrease the amount allowed by the findings of the contracting agency.

(4) Any such proceedings shall not affect the authority of the contracting agency concerned to make a settlement of the termination claim, or any part thereof, by agreement with the war contractor at any time before such proceedings are concluded.

(d) (1) The Director shall appoint an Appeal Board, composed of such number of members as he deems necessary from time to time to hear appeals under this section. The members of the Appeal Board shall be qualified and experienced attorneys, engineers, accountants, or persons possessing sufficient business experience or professional skill. He shall, without regard to the provisions of the civil-service laws and the Classification Act of 1923, appoint and fix the compensation and term of office of the members of the Appeal Board.

(2) Panels of one or more members may act for the Appeal Board and shall sit from time to time in localities throughout the country, reasonably convenient for war contractors having proceedings before them. A panel of one member of the Appeal Board may hear any appeal whenever (i) the amount in controversy in the appeal is \$25,000 or less; or (ii) the amount in controversy exceeds \$25,000, but the war contractor taking the appeal fails to demand a panel of three members at the time of filing his appeal. If the war contractor is aggrieved by the decision of the Appeal Board or panel (other than an order remanding the case to the contracting agency under subsection (c) (3) (iii) of this section), then within 90 days after such decision he may bring suit on the claim or unsettled part thereof in accordance with subsection (b) (2) of this section. Such suit shall proceed as if no appeal had been taken under subsection (b) of this section. Upon failure of the war contractor so to sue within such period, the decision of the Appeal Board or panel shall be final and conclusive.

(3) The Director or, if authorized by him, the Appeal Board shall prescribe the practice

and procedure to govern proceedings for the Appeal Board. The Appeal Board or any panel thereof shall have power to administer oaths to witnesses and to compel by subpoena the attendance of witnesses, and the production of books, papers, documents, and other records. All provisions of law (including penalties and provisions relating to self-incrimination) applicable with respect to subpoenas issued under the Federal Trade Commission Act shall be applicable with respect to subpoenas issued by the Appeal Board insofar as such provisions are not inconsistent with the provisions of this act.

(e) The contracting agency responsible for settling any claim and the war contractor asserting the claim, by agreement, may submit all or any part of the termination claim to arbitration, without regard to the amount in dispute. Such arbitration proceedings shall be governed by the provisions of the United States Arbitration Act to the same extent as if authorized by an effective agreement in writing between the Government and the war contractor. Any such arbitration award shall be final and conclusive upon the United States to the same extent as a settlement by agreement under subsection (c) of section 6.

(f) Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them, by agreement with the other, may submit the dispute—

(1) to the Appeal Board in accordance with subsection (d) of this section;

(2) to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director.

Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

COURT OF CLAIMS

Sec. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than 10 auditors and not more than 20 commissioners in addition to those provided for by the act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitations as to nature of duties which they may be called upon to perform.

(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all parties with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. If the name and address of such party in interest is known or can be ascertained by reasonable diligence, and if he resides within the jurisdiction of the United States, he shall be summoned to appear by personal service; but if such party resides outside of the jurisdiction of the United States, or is unknown, or if for any other good and sufficient reason appearing to the court personal service cannot be had, he may be summoned by publication, under such rules as the court may adopt, together with a copy of the summons mailed by registered mail to such party's last known address. Upon failure so to appear, any and all claims or interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment pro confesso upon any claim or contingent claim asserted on behalf of the

United States against any party who, having been duly served with subpoena, fails to respond thereto, to the same extent and with like effect as if such party had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any party pursuant to any such notice or subpoena, the case as to such party shall, for all purposes, be treated as if an independent proceeding had been instituted by such party pursuant to section 145 of the Judicial Code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and determination, with the case in respect of which the notice or subpoena was issued, except that the United States shall not be heard upon any counterclaims, claims for damages or other demands whatsoever against such party, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such party shall assert therein a claim, or in interest in a claim, against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

(c) The jurisdiction of the Court of Claims shall not be affected by this act except to the extent necessary to give effect to this act, and no party shall recover judgment on any claim, or on any interest in any claim, in said court which such party would not have had a right to assert if this section had not been enacted.

PERSONAL FINANCIAL LIABILITY

Sec. 15. (a) Whenever any payment is made from Government funds to any war contractor or other person as an advance, partial, or final payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment, in the absence of fraud on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

(b) For the purpose of making termination settlements or interim financing any Government agency is authorized to rely upon such certificates of war contractors as it deems proper and to permit war contractors and other persons to rely upon such certificates without financial liability in the absence of fraud on their part.

THE GENERAL ACCOUNTING OFFICE

Sec. 16. (a) Any other provision of law notwithstanding, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud. For this purpose the General Accounting Office shall have the authority to examine any records maintained by any contracting agency or by any war contractor relating to any termination settlement.

(b) Whenever the General Accounting Office believes that any settlement was induced by fraud, the Comptroller General of the United States shall report all of the

facts relating thereto to the Director, to the Department of Justice, and to the contracting agency concerned. Upon receipt of such report (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, shall withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in the opinion of the General Accounting Office as stated in its report, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor. The General Accounting Office shall not suspend credit to any disbursing officer on any disbursements made by him under such settlement in the absence of fraud on his part.

(c) The Comptroller General may investigate the settlements completed by each contracting agency for the purpose of reporting to the Congress from time to time on—

(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this act and the orders and regulations of the Director;

(2) whether such methods and procedures are followed by such agency with care and efficiency; and

(3) whether such methods and procedures adequately protect the interest of the Government.

If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this act. At least 30 days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this act except to the extent necessary to give effect to the specific provisions thereof.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

Sec. 17. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a valid contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

(c) Where a contracting agency fails to settle by agreement any claim asserted under

this section, the dispute shall be subject to the provisions of section 13 of this act.

(d) The Director shall require each contracting agency to formalize all such obligations and commitments within such period as the Director deems appropriate.

RECORDS, FORMS, AND REPORTS

SEC. 18. (a) The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud and to assure uniformity in administration and to provide for expeditious settlements. For this purpose he shall prescribe (1) such records to be prepared by the contracting agencies and by war contractors as he deems necessary in connection with such settlements and interim financing; and (2) the records in connection therewith to be transmitted to the General Accounting Office. He shall seek to reduce the amount of record keeping, reporting, and accounting in connection with the settlement of termination claims and interim financing to the minimum compatible with the reasonable protection of the public interest. Each contracting agency shall prescribe forms for use by war contractors in connection with termination settlements and interim financing to the extent it deems necessary and feasible.

(b) The Director shall require the Government agencies performing functions under this act to prepare such information and reports regarding terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this act, and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies. The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this act, but any such agency, in its discretion, may furnish any such information deemed by it to affect the national security only to the Director himself.

(c) The Director, by regulation, shall provide for making available to any interested Government agency such advance notice and other information on cut-backs in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.

(d) The Director shall make such investigations as he deems necessary or desirable in connection with termination settlements and interim financing. For this purpose he may utilize the facilities of any existing agencies and if he determines that the facilities of existing agencies are inadequate, he may establish a unit in the Office of Contract Settlement to supplement and facilitate the work of existing agencies. He shall report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.

(e) Whenever any contracting agency or the Director believes that any settlement was induced by fraud, the agency or Director shall report the facts to the Department of Justice. Thereupon, (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, shall withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in its opinion, was affected by the fraud. In any such case the Department

of Justice shall take such action as it deems appropriate to recover payments made to such war contractor.

PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

SEC. 19. (a) It shall be unlawful for any person willfully to secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed—

(i) any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation or other termination, or settlement of a war contract of \$25,000 or more; or

(ii) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more,

until (1) 5 years after such disposition of termination inventory by such war contractor or Government agency, or (2) 5 years after the final settlement of such war contract, or (3) 5 years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress, whichever applicable period is longer.

As used in this subsection, the term "records" includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports, and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than 5 years, or both: *Provided, however*, That the Director, by regulation, may authorize the destruction of such records upon such terms and conditions as he deems appropriate, which may include the making and retaining of photographs or microphotographs. Photographs or microphotographs of any records made in compliance with such regulations of the Director shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of admissibility in evidence.

(b) The first section of the act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until 3 years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law."

(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in

any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or emolument from the United States or any Government agency in connection with the termination, cancellation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States or with any other person, and every person who enters into an agreement, combination, or conspiracy so to do, (1) shall pay to the United States an amount equal to 25 percent of any amount thereby sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof, and (3) shall in addition pay to the United States the sum of \$2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

(d) The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this act or under any regulations pursuant to this act.

GENERAL PROVISIONS

SEC. 20. (a) Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this act, (1) to make any contract necessary and appropriate to carry out the provisions of this act; (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems necessary and appropriate to carry out the provisions of this act; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any contracting agency under the First War Powers Act, 1941, or under any other statute.

(b) Any contracting agency may prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this act. Any determination so made that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this act.

(c) There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this act.

(d) All policies and procedures relating to termination of war contracts, termination settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, in effect upon the effective date of this act, and not inconsistent with this act, shall remain in full force and effect unless and until superseded by the Director in accordance with this act, or by regulations of the contracting agency not in-

consistent with this act or the policies prescribed by the Director.

(e) Nothing in this act shall be deemed to impair or modify any war contract or any term or provision of any war contract or any assignment of any claim under a war contract, without the consent of the parties thereto, if the war contract, or the term, provision, or assignment thereof, is otherwise valid.

(f) Any contracting agency shall authorize or direct its officers and employees to advise, aid, and assist war contractors in preparing and presenting termination claims, in obtaining interim financing, and in related matters, to such extent as it deems desirable. If the officer or employee receives therefor no benefit or compensation of any kind, directly or indirectly, from any war contractor, such advice, aid, or assistance shall be treated as part of his official duties and shall not constitute a violation of section 109 of the Criminal Code (18 U. S. C. 198) or of any other law.

(g) The Smaller War Plants Corporation is hereby directed—

(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this act and the regulations of the Director; and

(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guaranties, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

OTHER FUNCTIONS OF THE DIRECTOR

SEC. 21. In addition to his other functions under this act, the Director shall—

(a) promote the training of personnel for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing.

(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible;

(d) consult with war contractors through advisory committees or such other methods as he deems appropriate.

USE OF APPROPRIATED FUNDS

SEC. 22. Any contracting agency is authorized—

(a) to use for interim financing, the payment of claims, and for any other purposes authorized in this act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

(b) to use any such funds appropriated, allocated, or available to it for expenditures for or in behalf of any other contracting agency for the purposes authorized in this act;

(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon

the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

DELEGATION OF AUTHORITY

SEC. 23. (a) The Director may delegate any authority and discretion conferred upon him by this act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this act to any officer, agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this act.

(d) Nothing in this act shall prevent the Director from exercising any authority conferred upon him by any other statute.

APPLICABILITY

SEC. 24. (a) This act shall become effective 20 days after the date of its enactment. With the exception of the provisions of paragraphs (b), (c), (d), and (e), of section 12, and of sections 6, 7, 8, 9, 10, and 13 this act shall be applicable in the case of any terminated war contract which has been finally settled at or before the effective date of this act.

(b) Nothing in this act shall limit or affect any authority conferred by the act of March 11, 1941 (55 Stat. 31), as amended, or acts supplemental thereto.

SEC. 25. Subject to policies prescribed by the Director, any contracting agency may exempt from some or all of the provisions of this act (a) any war contract made or to be performed outside the continental limits of the United States or in Alaska, or (b) any termination inventory situated outside of the continental limits of the United States or in Alaska, or (c) any modification of a war contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

SEPARABILITY OF PROVISIONS

SEC. 26. If any provision of this act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SHORT TITLE

SEC. 27. This act may be cited as the "Contract Settlement Act of 1944."

The CHAIRMAN. Are there any amendments to section 3?

Mr. McLEAN. Mr. Chairman, I move to strike out the last word and ask unanimous consent to speak out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. McLEAN. Mr. Chairman, Dr. William Thornwall Davis passed away yesterday morning. Although he was not a Member of the Senate or House of Representatives, in his early life he was an attaché of the Senate, and was so much a part of the activities of Congress and his life reflects so much credit upon his early association here, that a word of appreciation in this presence is appropriate.

It was while he was engaged as a Senate employee in 1897 and subsequent years that I came to know him, and the intimacy there formed has continued over the years, and I have been proud of his advancement and the position he has attained as one of our leading ophthalmologists. I loved him as a friend and adviser.

During his early life at the Senate he discharged faithfully the duties assigned to him, and during his leisure hours devoted himself to study, earnings the degree of doctor of medicine at George Washington University. After graduation he joined the Army Medical Corps, and became a part of its development under the program of the great general, Leonard Wood. He served in the Moro campaign in the Philippines, the insurrection in Cuba, and the San Francisco earthquake disaster. He served in the Medical Corps in World War No. 1, and has since been a valued consultant in its development.

He was highly regarded as a private practitioner, but always had time to give to the interest of his country.

Dr. Davis was a consulting ophthalmologist at Garfield, Columbia, Gallinger, Casualty, and George Washington Hospitals. Since 1920 he had served as a professor of ophthalmology at George Washington University from which he received his medical degree in 1901. He held a similar position at the Army Medical School with the rank of major during the First World War. In 1941 when selective service was getting under way, Dr. Davis served as a member of the advisory board.

Born in Little Rock, Ark., Dr. Davis was a nephew of the late Senator Joseph C. Blackburn, Democrat, Kentucky. In addition to George Washington, Dr. Davis studied at the Army Medical School, the University of Vienna in 1906, the Royal Ophthalmic Hospital in London. His internship was served at Garfield Hospital.

Dr. Davis served in the Army Medical Corps from 1902 to 1913, first as a lieutenant and later as a captain. He served with Gen. Leonard Wood in the Moro campaign, and was surgeon under Gen. Frank McCoy in the Datto Ali campaign.

A fellow of the American College of Surgeons, Dr. Davis held membership in the American Medical Association, Southern Medical Association, American Academy of Ophthalmology and Otolaryngology, the Pan-American Medical Association, and the Academy of Medicine, Washington. He maintained his private office at 927 Farragut Square.

He was also a member of the board of directors of the Washington Loan & Trust Co., of the Military Order of the Carabao, Spanish-American War Veterans, American Legion, Rotary Club, Masons, and Phi Sigma Kappa, G. W. U. chapter. He belonged to the Army and Navy, Metropolitan, and Chevy Chase Clubs.

Dr. Davis leaves his wife, Mrs. Renee Tolson Davis, and four sons, Dr. William J. G. Davis, of Cleveland, Ohio; Maj. Roger Has Brouck Davis, stationed at Wright Field, Dayton, Ohio, with the Army Air Forces; First Lt. Rene S. Davis,

United States Army, stationed at Camp Gruber, Okla.; and Akin Thornwall Davis, a premedical student at George Washington University.

The CHAIRMAN. Are there any amendments to be offered to section 3?

Mr. McCORMACK. Mr. Chairman, I move to strike out the last word and ask unanimous consent to speak out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. McCORMACK. Mr. Chairman, the unveiling of a portrait yesterday of SCHUYLER OTIS BLAND, unfolds for the future the vision, the courage, and the strength of character of the honored and honorable gentleman who for over a quarter of a century has given unflinching and unfailing effort in the maintenance and development of our American merchant marine. Words proclaiming this memorable occasion, a fitting tribute to the gentleman from Virginia, are but trite expressions of a truism. No tribute can adequately express the force of his industrious ability in guarding over this important committee as it has studied and provided the legislation which has made possible the glory which follows our American flag merchant fleet. American flag vessels circle the globe and carry with them, wherever the harbor or port of call, the imprint of the sagacity and wisdom of those who, with, and under the leadership of Judge BLAND have made our foreign trade and national security the rock upon which our Nation stands as the protective liberator of liberty.

SCHUYLER BLAND, as he is known to his innumerable friends on both sides of the House of Representatives and Senate of the United States, was elected to Congress, the sixty-fifth session, on July 2, 1918. Only nine Members of the House and three Members of the United States Senate have longer periods of continuous service in the legislative branch of our great Government. His skill as a legislator, ability as an administrator, and sympathetic understanding of the science of government and the needs of his country have gained for him the friendship of President and citizen. He has won the respect and admiration of his colleagues irrespective of party throughout his long and distinguished career. Coming to the House Merchant Marine and Fisheries Committee during the raging of World War No. 1 from a district, which at that time included one of the most prominent and important ports of embarkation of our armed forces, Newport News, Va., studded as it was and is with shipyards and teeming as it was and is with lore of the sea, Judge BLAND, as former president of the bar association of that city and vice president of the bar association of the Commonwealth of Virginia, was especially adapted by experience, association, and training to bring to Congress and America liberal ideas of the future possibility of our maritime greatness and the executive friendly capacity to effectuate the sound principles upon which our maritime industry has grown to greatness.

The Shipping Acts of 1920 and 1928 and the Merchant Marine Act, 1936, as amended, the magna carta of our merchant navy, are in great measure the considered judgment of Congress under his forceful direction and kindly, gentle, and understanding leadership.

The path of the development of our merchant fleet from approximately three and one-half million tons in foreign trade in 1939 to a tonnage, United States owned, operated, or controlled of over 40,000,000 dead weight as of this day has not ever been smooth. Pre-war days held disappointment, discouragement, and frustration. But never did my colleague and friend of the years lose heart or allow his dreams of an American merchant marine, second to none, become dimmed or destroyed. A deep student of trade practices, principles, and opportunities, both foreign and domestic, he has succeeded in helping ever keep the American merchant marine on an even keel. Meeting the problems of finance and shipyard, shipowner, merchant seamen, stevedoring, and education of management and labor, with brilliance, the gentleman from Virginia, Judge BLAND, today has under his jurisdiction the Coast Guard, Bureau of Light-houses, Coast and Geodetic Survey, marine hospitals, and Panama Canal. He is a member of the Board of Visitors of the Coast Guard Academy at New London, Conn., and of the United States Merchant Marine Academy, Kings Point, Long Island, and by appointment of the President, a member of the Goethals Memorial Commission. In the full blossom of the beauty of his work, he stands, not as admiral, Congressman, or legal guide, but as the man of his century who has given our citizens complete confidence that the future of our Nation through his great Americanism and industry will be protected by an adequate merchant marine, now and in the future when victory is ours.

I, with the members of his committee, and many of his friends were proud to take part in those exercises, honoring not only a colleague and a friend, but an outstanding legislator, and a great American.

The CHAIRMAN. Are there any amendments to section 4 of the bill?

Mr. J. LEROY JOHNSON. Mr. Chairman, I offer an amendment to section 4, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. J. LEROY JOHNSON: On page 58 of the printed bill, following line 9, add the following subsection to section 4 (b) of the bill:

"(3) May designate someone, not a member of any agency involved, to represent him to participate in the negotiations for the settlement of any terminated contract, and no settlement, in cases where such a person is designated by the Director to participate, shall be binding and final unless approved by him. The Director's approval or disapproval of such settlements shall be made within 30 days of the date when the agreement for settlement is made by the agency and the contractor."

Mr. J. LEROY JOHNSON. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and also that I may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. J. LEROY JOHNSON. Mr. Chairman, amplifying what I said a moment ago, we find in section 4 that the Director of Contract Settlements is given certain powers. But I see no power except the power to provide by procedure to increase efficient administration of the provisions of this law. Also, in the act I find no provision that specifically gives him any power to participate in the actual negotiations in the termination of war contracts. That means, as I read the act, that the complete determination of what shall be paid in the event of a settlement is the agreement between the contractor and the particular governmental agency. Now, in my opinion, that is the weakest spot in this bill.

Mr. KEFAUVER. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield to the gentleman from Tennessee.

Mr. KEFAUVER. Mr. Chairman, I wonder if the gentleman has examined subsection (e) on page 90, which gives the war contractor the right, with the agreement of the Director, to submit the claim to arbitration? Is that the same thing that the gentleman advocates?

Mr. J. LEROY JOHNSON. No; it is not the same thing. That would be a very cumbersome method, in my opinion, although that might help the situation. Here is what I want: I want him not to be an arbitrator, but I want this man who is supposed to unify this procedure and produce efficient administration to have the power to actually participate in these negotiations that will result in the settlement in those cases where he thinks it is necessary.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. VINSON of Georgia. May I call the gentleman's attention to page 58 on which will be found subsection (c) of section 4, which says:

The exercise of any authority or discretion and the performance of any duty or function conferred or imposed on any Government agency by this act, shall be subject to such orders and regulations prescribed by the director pursuant to subsection (b).

Mr. J. LEROY JOHNSON. Yes, but that does not give him the power to do that.

Mr. VINSON of Georgia. He has complete authority to do everything that the gentleman from California is complaining about.

Mr. J. LEROY JOHNSON. I must respectfully differ with the gentleman from Georgia, much as I admire him, because I think it only gives him power to lay down the rules whereby the Government agents and the war contractors can arrive at a settlement, but it does not give him any power to himself participate in that negotiation.

Mr. VINSON of Georgia. If he has the authority to lay down the rules for an officer or an employee of his to do a certain thing, he also has the basic and

fundamental right to say he will do it himself.

Mr. J. LEROY JOHNSON. I do not believe he has the right to appoint anybody or himself to take part in the actual negotiations for settlement. That is why I offered this amendment to give him the power to participate in the settlement.

Mr. ANGELL. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. ANGELL. If it is true that the bill already gives him that authority, then there can be no objection to this amendment.

Mr. VINSON of Georgia. Mr. Chairman, I have no objection to it so far as I am concerned, but I am satisfied it is already taken care of. This would merely fortify it, so far as I am concerned.

Mr. J. LEROY JOHNSON. Mr. Chairman, I appreciate that statement. The only reason I advocate this is because my reading of the bill did not give me the impression that he had the authority.

Mr. IZAC. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. IZAC. I may not be able to help the gentleman any but it might be pertinent to call attention to the fact that the Committee on Naval Affairs had already put such a provision in our bill for the Comptroller General to sit in. That, of course, is not in this bill. Whether it is right or not to have the Comptroller General instead of the representation of the man you have in mind, I do not know. But I do think we were trying to get the Comptroller General to sit in in some way, and that has not been considered, of course, by the House. That bill was not given a rule and therefore we cannot bring it in.

Mr. J. LEROY JOHNSON. The point I want to make is this, that apparently there is no specific provision authorizing what I am advocating. A great many people felt that some person like the Comptroller General should be in this bill as a check and safeguard of the taxpayer. We determined we should not place the Comptroller General there because he might unduly delay the settlement of these contracts, but here we give the contract settlement director the power, where he thinks it is necessary, to put a man into the negotiations. He sits at the table. He has the information available to the contracting agent. You know and I know there are going to be a great many unbalanced settlements. We are not talking about a few million dollars. We are talking about the expenditure of \$25,000,000,000 that may be handed out to contractors just by two men sitting across the table trying to agree. I want to try to get a specific provision in this bill, and I think my amendment does it, whereby the Congress and the public can have some assurance that there is one individual at that table who is not a biased individual, who is not representing one side or the other, but who is there trying to arrive at a fair settlement; fair for the taxpayer and fair for the contractor. I believe my

provision would not delay the work but would help it, and would help arrive at balanced settlements.

Mr. WALTER. Will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. WALTER. Does not the gentleman agree that the director is the third person in the settlement?

Mr. J. LEROY JOHNSON. No; I do not. The director is only to make procedure, to make the rules of the game, but he cannot participate and help the settlements to be arrived at. That is the weakness of this bill.

Mr. BROOKS. Will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. BROOKS. I think there is a great deal to what the gentleman has to say. That is the reason we arrived at the conclusion that the Comptroller General should sit in, because he is an established official already set up. I think some third independent party ought to sit in.

Mr. J. LEROY JOHNSON. I thank the gentleman for his comments.

Mr. BATES of Massachusetts. Will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. BATES of Massachusetts. This third party is going to sit in, in an advisory capacity; but would he have any actual determination?

Mr. J. LEROY JOHNSON. No; not in an advisory capacity, but as a participating party to the settlement. Where this agent of the contract settlement director sits in, then under my amendment the amount arrived at as a settlement cannot become final unless the director of the contract settlement department agrees to it within 30 days. In other words, he has the power of veto and is the safeguard against bad settlements we have been looking for. The reason I give him that veto power is that I think he is a dispassionate individual, appointed by the President, to facilitate the settlements, but the law they have given us only talks about procedural things and gives him no real power. I want him to have some substantive right to help determine these cases, and see that equity is done to both the Government and the contractors.

Mr. BATES of Massachusetts. In other words, you want to give this man absolute veto power over the termination of a contract?

Mr. J. LEROY JOHNSON. Only in those cases where he may determine to enter, in case he feels he cannot acquiesce in the proposed settlement.

Mr. BATES of Massachusetts. The bill from the Naval Affairs Committee did not contain any such provision as that. It permitted the Comptroller General to sit in in an advisory capacity, but not with the power of veto. I think your bill would stop settlements.

Mr. J. LEROY JOHNSON. I do not think so; it would help make more balanced and fair decisions.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. VORYS of Ohio. Under this bill, is this not possible, that the director of contract termination could lay down

the rules and regulations for the termination of contracts but would not have the power to interfere and stop the termination when some Government employee was not abiding by the rules which he laid down?

Mr. J. LEROY JOHNSON. That is exactly it. It is not only a possibility but a probability in many cases.

Mr. BATES of Massachusetts. The gentleman's amendment centers responsibility for final termination in this one director who is created by this law, and whose appointment will be ratified by the Senate.

Mr. J. LEROY JOHNSON. In other words, the President's personal agent is there to supervise this settlement and see that they are equitable. He should have veto power. He can stop any skulduggery going on in that particular case, and it would be an assurance to Congress of fair and just settlements.

Mr. FOLGER. Will the gentleman yield?

Mr. J. LEROY JOHNSON. I yield.

Mr. FOLGER. If the director was sitting there at the table and made objection, his objection would not be valid under this bill?

Mr. J. LEROY JOHNSON. The gentleman is correct. He would only be a figurehead and have no power to help shape the settlements into just settlements.

Now, there is one other matter that you should think over. A great many of the items that are settled in these cases are intangible items. They are not material on hand. They are not buildings that we can appraise. They are unexpired rentals, amortization of buildings, depreciation, and all the things that you gentlemen who are lawyers and who have sat in rate cases are familiar with in which there is a great variance of opinion, depending on the viewpoint of the person rendering the opinion. I want somebody in there to bring the parties together and to harmonize the views of the Government agent and the contractor, so as to give balance to the settlement agreement. That is what is meant on page 57, when they want him to produce efficient administration of this problem. You give the contract settlement director great responsibility, but you do not give him the power necessary to effectively carry out his responsibility.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. GWYNNE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the statement made by the gentleman yesterday indicated that he had a very complete knowledge of the problem we have before us. The objective he has in mind, of course, is a good one. In fact, we thought it was a good one and we put it into the bill. I am confident it is in there. I trust this amendment will not be adopted.

Now, notice the set-up. We have a director of contract settlements. We have the contracting agencies who will be out on the firing line. Over them, with great power is this director. He has tremendous powers under this bill. This director is in the position of General Marshall. As set out in paragraph

1, he plans the general campaign. Then, as set out in the next paragraph, he may require or restrict the exercise of any authority given to these contracting agencies from any source in any manner that he desires. If the director feels it is advisable to require every single settlement to come to him for approval, he may do so. If he thinks the contracting agencies should set up review boards to pass on any settlements or to pass on settlements above a certain amount, he may do that.

Mr. Chairman, I suggest that we should be very careful about putting in amendments of this character. We have given the director definite responsibility. We have given it to him in general terms and in terms that no court can misconstrue. This bill will be the basis of much litigation. I believe I can say this honestly, that it has been as carefully considered by several committees of this House as any bill we have had here for sometime. I hope we will not load it up with amendments that are designed to do something that is already provided for in the bill, and which will only result in difficulties in the conference.

Mr. J. LEROY JOHNSON. What specific provision in the law gives him the power that I want to give him?

Mr. GWYNNE. Paragraph 2, for instance.

Mr. HANCOCK. Will the gentleman yield?

Mr. GWYNNE. I yield.

Mr. HANCOCK. Not only section 5, but the opening words of section 6.

Mr. GWYNNE. There is no question but what this director is the commander in chief, and can modify, as I understand the bill, any regulation issued by a contracting agency to the extent that he deems it necessary. He is not an impartial man sitting in here. He is the boss.

Mr. VORYS of Ohio. Will the gentleman yield?

Mr. GWYNNE. I yield.

Mr. VORYS of Ohio. Is the only objection to the amendment that it is redundant, and is already provided for?

Mr. GWYNNE. That is the objection I have to it.

Mr. VORYS of Ohio. Then those of us who feel that it may not be specifically provided for would be voting for an amendment which, in our judgment was not redundant, but was a purpose that should be expressed in the bill?

Mr. GWYNNE. Yes. And here is the opinion of the rest of us. We believe you are voting for an amendment which adds nothing and may some day subtract something. Every time you start putting in specific provisions, when the whole field is covered, you run the risk of some court concluding that you had in mind something that you did not intend yourself. That is the danger of this type of amendment.

Mr. BATES of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. GWYNNE. I yield.

Mr. BATES of Massachusetts. Page 58 sets forth very clearly:

The Director, subject to such provisions, by general orders or general regulations—

(1) Shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this act; and

(2) May require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this act.

Mr. GWYNNE. That is correct.

Mr. SUMNERS of Texas. Mr. Chairman, will the gentleman yield for a suggestion?

Mr. GWYNNE. I yield.

Mr. SUMNERS of Texas. And one of those powers which the Director has is to put somebody in there where those contracts are being negotiated if he feels it is his responsibility to do so.

Mr. GWYNNE. In fact he has the power where he thinks it desirable to settle a lot of contracts in a group, or if he thinks he can settle all the contracts of one contractor in a group he may do so.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. SABATH. Mr. Chairman, I rise in support of the amendment.

The CHAIRMAN. The gentleman from Illinois is recognized for 4 minutes.

Mr. SABATH. Mr. Chairman, I believe the amendment of the gentleman from California is in the right direction, but I feel it does not go far enough to safeguard and to protect the interests of the taxpayers and our Government. We have a real duty to perform in voting a bill that provides for and will authorize the settlement of contracts involving twenty-five to fifty millions of dollars of the people's money.

I want it plainly understood that this is before you not because the Committee on Rules did not wish to report the bill of the Committee on Military Affairs. As a matter of fact the Committee on Military Affairs had applied for a rule long before either the Committee on the Judiciary or the Committee on Naval Affairs; but the Committee on the Judiciary in conjunction with the Select Committee on Economic and Post-war Planning that was created had agreed to the amendment of the Senate bill by inserting the bill of the Judiciary Committee, which carries many provisions of the bill reported by the Committee on Naval Affairs. To save time and bring about earlier action the Committee on Rules granted the rule on this bill because it amended the Senate bill, and, after acting on it we can go to conference on the Senate bill. Many of the Members felt that the Military Affairs Committee was entitled to the rule, and had it not been for the facts I have mentioned the rule would have been granted on the bill proposed originally and reported by the Military Affairs Committee.

This is important legislation. I was here during the last war and saw some things done against which I feel we must safeguard to prevent their recurrence. You have a duty to perform the same as I. Many avaricious contractors have been dealing with some of the men they

placed in the various contracting offices. I fear these men will perhaps be a little too lenient in the interest of their own firms. I mean the contracting officers of the War and Navy Departments and other war agencies, and consequently I feel that the men to settle these contracts should be strong honest-to-God men, who will impartially adjudicate these contracts. We have such men. We do not need to create another agency or office to accomplish this. The Comptroller General should have that power and should not be deprived of this duty. What are we afraid of? Are we afraid of giving him the power to sit in and check to see whether these contractors are entitled to the amount of money covering their contract? There is nothing to be feared on the question of time. He can do it with the experienced personnel he has and he can engage additional employees just as quickly and speedily as any other organization that may be set up.

I feel the amendment that will be offered by the gentleman from Texas giving the Comptroller General jurisdiction to sit in on the adjustment of these contracts should, in the interest of the taxpayers and in the interest of honesty and square dealing, be adopted. Then and not until then will you have done your full duty in protecting the rights of your Government and the people.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. SABATH. I yield.

Mr. MAY. I have been trying to get some of the proponents of this bill to answer the question as to what difference it makes to the taxpayer whether his money is lost by fraud, mistake, or theft, but I have been unable to get an answer.

Mr. SABATH. It is lost anyway regardless of how it is lost.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. SABATH. I am sorry, I haven't the time.

Mr. WALTER. I should like to answer the gentleman's question.

Mr. SABATH. I do not want to impose longer on the House. We are desirous of completing this bill today if possible. I shall therefore take no more time but in closing urge favorable consideration of this amendment and the amendment that will be offered by the gentleman from Texas.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

(Mr. SABATH asked and was given permission to revise and extend his remarks.)

Mr. MAY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am not going to even strike out the last word, but rise for the purpose of making a statement to my good friend the gentleman from Pennsylvania [Mr. WALTER] in reference to a statement he made awhile ago in argument. He inquired as to what was the interest of those who were favoring the Comptroller General amendment. I am sure he did not mean to imply by that that because we were advocating the protection of the taxpayer and the

safety of the taxpayer's funds in our efforts here that those of us who were supporting that proposal had any personal interest in the matter.

Mr. WALTER. I do not, of course, feel that the gentleman has a personal interest in the matter; I am rather resentful of the intimations that the gentleman is the only one interested in safeguarding the taxpayers of this country.

Mr. MAY. I made no such intimation.

Mr. WALTER. I am just as much interested as the gentleman and I have in my humble way done everything I possibly could in order to work that out having in mind the fact that we must provide work quickly for our people when these contracts are terminated.

Mr. MAY. I have not questioned the gentleman's purpose; I have just raised the question as to why the gentleman questioned ours. I wanted to know. I think the gentleman ought to strike that out of his remarks.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California.

The question was taken; and on a division (demanded by Mr. J. LEROY JOHNSON) there were—ayes 23, noes 62.

So the amendment was rejected.

The CHAIRMAN. Are there other amendments to section 4?

Are there amendments to section 5?

Are there amendments to section 6?

Mr. McCONNELL. Mr. Chairman, I offer an amendment to section 6:

The Clerk read as follows:

Amendment offered by Mr. McCONNELL: On page 60, line 18, after the word "act", insert "giving priority to contractors whose facilities are privately owned or privately operated."

Mr. SUMNERS of Texas. Will the gentleman yield?

Mr. McCONNELL. I yield to the gentleman.

Mr. SUMNERS of Texas. If we accept the amendment, will the gentleman yield back his time?

Mr. McCONNELL. I will be glad to.

Mr. SUMNERS of Texas. Mr. Chairman, I am advised by the gentleman from New York [Mr. HANCOCK], and other gentlemen, that the committee will accept the amendment.

Mr. McCONNELL. Mr. Chairman, this amendment is offered to meet a situation that could arise in the months to come.

It has been stated on the floor of this House that a rapid settlement of a terminated war contract is essential. The bill itself calls for speedy and fair compensation to war contractors for the termination of any war contract. With that idea, I am in complete accord. However, I can visualize a period of severe competition among the various groups for quick settlements.

Should a contest for settlement arise between Government owned and operated plants and privately owned and operated plants, priority should be given to the private plants. If this amendment is adopted, I believe it will aid private industry at a time when rapid re-conversion is vital.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. McCONNELL].

The amendment was agreed to.

Mr. McCONNELL. Mr. Chairman, I ask unanimous consent to revise and extend my own remarks in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania [Mr. McCONNELL]?

There was no objection.

Mr. VINSON of Georgia. Mr. Chairman, I offer an amendment to section 6, and I may state to the gentleman from Texas that I am in the same trading mood.

The Clerk read as follows:

Amendment offered by Mr. VINSON of Georgia: At the end of subsection (c) of section 6, change the period to a colon, and add the following: "Provided, That no settlement agreement hereunder involving payment to a contractor of an amount in excess of \$50,000 (or such lesser amount as the Director of Contract Settlement may from time to time determine) shall be permitted to become binding upon the Government until the agreement has been reviewed and approved by a settlement review board of three or more members established by the contracting agency in the bureau, division, or other unit of the contracting agency having cognizance of such settlement, or in the event of disapproval by the settlement review board, unless approved by the head of such bureau, division, or other unit. The sole function of settlement review boards shall be to determine the over-all reasonableness of proposed settlement agreements from the point of view of protecting the interests of the Government. In determining, for purposes of this section, whether review is required because of the size of the amounts involved in any settlement agreement, no deduction shall be made on account of credits for property chargeable to the Government or for advance or partial payments, but amounts payable under such settlement agreement for completed articles of work at the contract price and for the discharge of the claims of subcontractors shall be deducted."

Mr. MAY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. Will the gentleman yield for a parliamentary inquiry?

Mr. VINSON of Georgia. I yield to the gentleman.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. MAY. Where is this amendment offered?

Mr. VINSON of Georgia. It follows subsection (c) of section 6, page 61.

Mr. MAY. At the end of line 24?

Mr. VINSON of Georgia. Line 24, yes.

Mr. WALTER. Mr. Chairman, we will accept the amendment. As I understand it, the amendment merely carries out or expresses in law the procedure now being followed in the termination of contracts?

Mr. VINSON of Georgia. I may say to the Committee that is all it does. It merely carries out the departmental regulations set up by Justice Byrnes under date of May 2 that on all amounts over \$50,000 there shall be a departmental review board and three or more men will be designated to pass on the determina-

tion of the judgment of the contracting officers. In other words, it protects the officer in his judgment and fortifies it with the opinion of the review board.

There is nothing in this bill that requires a review at all. Under the bill as drafted the contracting officer and the contractor reach a determination as to the amount, which is final and conclusive. It may involve \$100,000 or it may involve \$50,000,000. I offer an amendment which provides that all over \$50,000 must be reviewed by a review board. It will not delay the matter at all because the same thing is being done by Executive order. Where an Executive order is being carried out we should at least put it into the law.

Mr. WALTER. Does not the amendment contemplate the erection of these review boards in the several ordnance districts?

Mr. VINSON of Georgia. Oh, yes; all over the country.

Mr. WALTER. It is not to be centralized in Washington?

Mr. VINSON of Georgia. It is decentralized, so it meets the objection of the War Department in connection with their consideration.

Mr. BROOKS. Will the gentleman yield?

Mr. VINSON of Georgia. I yield to the gentleman from Louisiana.

Mr. BROOKS. I want to compliment the gentleman on being willing to go along with a safeguard of this sort.

Mr. VINSON of Georgia. I am willing to go along on every safeguard, and that is what this amendment does. It is predicated on saving the Government money.

Mr. BROOKS. Does not the gentleman feel it would be a far superior safeguard if the Comptroller General was put in there?

Mr. VINSON of Georgia. Of course, I do not.

Mr. DURHAM. Mr. Chairman, will the gentleman yield?

Mr. VINSON of Georgia. I yield to the gentleman from North Carolina.

Mr. DURHAM. Will the gentleman give us the number of this regulation and tell us which one it is?

Mr. VINSON of Georgia. It is the regulation issued by Justice Byrnes on May 2 relating to review boards on amounts over \$50,000.

Mr. GWYNNE. Will the gentleman yield?

Mr. VINSON of Georgia. I yield to the gentleman from Iowa.

Mr. GWYNNE. There is no review required under this bill. The Director does have authority to establish review. He might want to establish review in one type of case at \$50,000, and he might want to establish a different type of review at \$25,000. Would the gentleman's amendment interfere with or prohibit the Director from making additional provisions with reference to that matter?

Mr. VINSON of Georgia. No; because the Director, according to the language of the bill, has such latitude of discretion now. All I am trying to do is to write into the law that which is being done today in order to safeguard the paying out of the money.

Mr. GWYNNE. I think the idea of review is a good one.

Mr. VINSON of Georgia. I thank the gentleman for accepting the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia [Mr. VINSON].

The amendment was agreed to.

Mr. GRANT of Indiana. Mr. Chairman, I move to strike out the last word.

(Mr. GRANT of Indiana asked and was given permission to revise and extend his own remarks in the RECORD.)

Mr. GRANT of Indiana. Mr. Chairman, one of the very, very important of the many stages of conversion and reconversion from war to peacetime economy is the question of cost incident to reconversion. In the bill reported by the Naval Affairs Committee a title was added on reconversion and the costs incident thereto. I fully appreciate it is a very nebulous thing, hard to put your finger on, but nonetheless the expense is there and in connection with that I rise to ask a question of the committee. In connection with subsection 12-2, under section 6 pending, this bill wisely lists the items of cost that shall be included in the consideration of the termination of the contract. It also states that certain items shall be included as elements of cost. Then subsection 12-2 states this:

The expense of conversion of contractors' facilities to uses other than the performance of contracts.

May I ask the gentleman from Iowa [Mr. GWYNNE] if it is his understanding that this language would include the word "reconversion"?

Mr. GWYNNE. It is my understanding it does not refer to reconversion. That prohibits an allowance for an item of conversion of the plant to some purpose other than the performance of the contract. As I understand it, this bill does not prohibit nor require reconversion.

Mr. GRANT of Indiana. This bill does not specifically include the item of reconversion as an element of cost, neither does it specifically exclude it. Is it the opinion of the gentleman that the language of the bill as written is broad enough to cover the costs of reconversion when in such cases the office of contract settlement determines that they ought to be included?

Mr. GWYNNE. I may say to the gentleman it is my understanding that the bill would allow in a proper case the expense of reconversion. We talked to representatives of various departments on that subject and asked them what their attitude might be. They pointed out that in some of the early contracts it was specifically provided that the expense of reconversion should be included. Later that was allowed as an element or was figured as an element when the contract was let. So the complete answer to the gentleman is that conversion may be allowed, if it is a proper item.

Mr. GRANT of Indiana. I thank the gentleman.

Mr. SUMNERS of Texas. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto do now close.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The CHAIRMAN. Are there any other amendments to section 6 of the bill? Are there any amendments to section 7 of the bill?

Mr. VOORHIS of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California: Page 71, after line 13, insert a new subsection as follows:

"(g) Smaller War Plants Corporation is hereby authorized and directed to purchase the claims of subcontractors in the following cases:

"(a) Where a prime or higher tier subcontractor has become bankrupt or a court has taken jurisdiction of its assets under the terms of chapter 10 of the Bankruptcy Act.

"Smaller War Plants Corporation shall pay fair compensation as described in section 6 (a) above for all claims so purchased by it without regard to the amount which it may ultimately collect thereon.

"Unexpended funds in the hands of Smaller War Plants Corporation may be used for the purchase of claims as herein set forth."

Mr. VOORHIS of California. Mr. Chairman, this is an amendment which I really think the committee ought to be ready to accept. I worked on this bill as a member of the Post-War Economic Policy and Planning Committee, and one of the things that we discussed the most was the problem of subcontractors. I think I can fairly state the situation by saying that everybody recognized it was the toughest part of the problem, and that nobody seemed to have any very complete answer to it. The bill, as you will note, on page 70, subsection (d), provides that the Director or any contracting agency may directly terminate claims of subcontractor and may purchase such claims. That is rather nebulous reading, depending upon the circumstances. The fellow that I am concerned about here is, first of all, the small businessman, because under the amendment it is limited to subcontractors; and, in the second place, the man who, at the direction of the Government, undertook to perform subcontract work for a prime contractor, where he did not have the chance that he normally would have had to examine the credit standing and dependability of the prime contractor.

Under any ordinary circumstances we might assume that anybody that takes a subcontract ought himself to be responsible for having reasonable assurance that the prime contractor would make good on it. But a lot of times the subcontractors have been urged by Government agencies—or actually directed by them—to take subcontracting work when it was necessary for the war.

There are going to be some instances inevitably, where some prime contractors are going to go broke. My amendment applies to such cases. It says that where that happens, where the prime contractor goes bankrupt or a court has taken jurisdiction over his assets, then the Smaller War Plants Corporation is hereby authorized and directed to purchase the claims and to pay for those claims a fair amount, and then there-

after do the best it can to collect upon them. I know a lot of people are going to say, "That is going to cost a lot of money." I do not believe that it will. As a matter of fact, the total amount of manufacturing claims in bankruptcy in the United States in normal times is between two and three hundred million dollars.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. I yield to the gentleman from Kentucky.

Mr. MAY. I think the gentleman has a good amendment. I call his attention to the fact that in the bill that the committee reported, we prohibited settling with the prime contractor until he made settlement with the subcontractor.

Mr. VOORHIS of California. I thank the gentleman very much for that contribution. I can honestly say I believe that my approach here may be as good as that approach, if not a little bit more direct. Not all of the manufacturers are engaged in war activity. Furthermore, it is probable that more manufacturers are in a better financial condition today than under normal circumstances. It is doubtful, therefore, that the total amount of claims of subcontractors against bankrupt prime contractors will amount to over \$100,000,000.

Let us see what the net effect of this amendment would be. If you are concerned about this legislation for the purpose of urging speedy conversion, if you are interested in it in order to try to secure continuous employment, then it seems to me that nothing is quite so important as to give reasonable assurance to the subcontractor that he is going to get his money when he has performed his part of the obligation, instead of leaving the whole matter of protection of the subcontractor in the discretion of the contracting agencies and the Director.

(Mr. VOORHIS of California asked and was given permission to revise and extend his remarks.)

Mr. WALTER. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, if the amendment proposed by the gentleman from California applied to the contracts placed by the Smaller War Plants Corporation, perhaps the committee could support such an amendment. After all, this amendment applies to every contract placed by a small war contractor—that is, the contractor employing fewer than 500 people. The result will be that the Smaller War Plants Corporation will be perpetuated forever, because it would take the place of the contractor in settling claims with the Government. In seeing to it that the small contractor, the subcontractor, was compensated in case of the solvency of his bond contractor, the committee, after the gentleman from Iowa [Mr. GWYNNE] and the gentleman from Tennessee [Mr. KEFAUVER] had given months of study to that proposal, provided for direct settlement, and then went a step further and provided that in those cases where the prime contractor was insolvent, then the settlement could be made directly with

the subcontractor, even in cases where payments had already been made.

It seems to me that as much protection has been given to the subcontractor as it is possible to give without making it necessary for this temporary agency to continue operation for many years after the cessation of hostilities. It seems to me that we ought to get rid of those temporary agencies as quickly as we possibly can. If this amendment is adopted the subcontractors are not going to make an attempt to be compensated by their prime contractors. They will go right directly to the Smaller War Plants Corporation. They will have to set up agencies all over the United States to handle these thousands upon thousands of claims.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. WALTER. I yield to the gentleman from California.

Mr. VOORHIS of California. This applies only in case the prime contractor goes bankrupt.

Mr. WALTER. In case of the prime contractor going into bankruptcy, I respectfully call my colleague's attention to paragraph (b) of section 7, wherein it is provided "Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments" to the extent that the sub and the sub all the way down to the lowest is paid. That is different from the Senate bill. The Senate bill made it purely discretionary. We felt that it should be mandatory upon the contracting officer to pay the claim of the subcontractor where his prime contractor is insolvent.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. WALTER. I yield to the gentleman from Michigan.

Mr. CRAWFORD. It seems to me the language the gentleman has just read in subparagraph (b) on page 69, plus (f) on page 71, completes the transaction.

Mr. WALTER. Exactly.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. WALTER. I yield to the gentleman from California.

Mr. VOORHIS of California. May I say that I hold no brief for the Smaller War Plants Corporation as such, but I do believe some agency is needed to do this job on behalf of small business. I do not know of any better one to select.

Mr. WALTER. The interests the gentleman seeks to protect, we feel, are adequately protected under the language of the bill.

Mr. KEFAUVER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I have been sympathetic all the way through with the problem of the small subcontractor. I think there is some merit in the presentation that is made by the gentleman from California.

As the gentleman from Pennsylvania pointed out, some of us on the committee insisted that in certain circumstances the contracting agency would have to see that the money got down to the subcontractor or to the lower tier subcon-

tractor. Also we wrote another provision in the back of the bill that does give the Smaller War Plants Corporation some additional authority.

It seems to me that this amendment with an amendment might be a worthwhile thing. I know the Smaller War Plants Corporation has handled subcontracts in two ways. In the first place, it has gone out and taken contracts in its own name and then has sublet the contracts to hundreds of people. In those situations, I think under subsection (d) they would have a right to buy the claims of those subcontractors if the prime contractor was in default. But there is another class of cases where the Smaller War Plants Corporation has played a part, and that is, it has gone in and gotten some garageman or some small fellow to ask for a contract and has kind of fathered him in getting that contract and in performing it.

Therefore, I believe that if the gentleman from California would be willing to accept an amendment to say that where the Smaller War Plants Corporation had a part in placing the contract it might purchase the contract in the event of the insolvency of the prime contractor, that would give protection to all the people the Smaller War Plants Corporation had induced to take contracts, and they should have that protection, in my opinion.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. KEFAUVER. I yield to the gentleman from California.

Mr. VOORHIS of California. I am willing to accept that amendment to my amendment.

Mr. KEFAUVER. I wonder if the Committee would think that might meet the objective we have set here.

Mr. Chairman, I am going to offer an amendment to the pending amendment so that the first sentence will read as follows:

Smaller War Plants Corporation is hereby authorized and directed to purchase the claims of subcontractors where the Smaller War Plants Corporation participated in placing same, in the following cases.

A lot of these little fellows are going to be in a bad fix where they have been induced to take a subcontract by the Smaller War Plants Corporation when they find they do not have any protection from the Smaller War Plants Corporation when the prime contractor goes bankrupt.

Mr. SUMNERS of Texas. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto close in 7 minutes, 5 minutes of that time to be allotted to the gentleman from Illinois [Mr. SABATH].

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

[Mr. SABATH addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. Does the gentleman from Tennessee desire to offer an amendment to the amendment offered by the gentleman from California?

Mr. KEFAUVER. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. KEFAUVER to the amendment offered by Mr. VOORHIS of California: In the second line, after the word "subcontractor" insert the following: "where the Smaller War Plants Corporation participated in placing the same."

The CHAIRMAN. The gentleman from Tennessee [Mr. KEFAUVER] is recognized for 2 minutes.

Mr. DURHAM. Mr. Chairman, will the gentleman yield?

Mr. KEFAUVER. I yield.

Mr. DURHAM. The amendment offered by the gentleman does not cover anything except where the Smaller War Plants Corporation subcontracted; is that correct?

Mr. KEFAUVER. It covers those cases, under the bill as it now stands, where the Smaller War Plants Corporation took a contract in its own name or a procurement, and let it out to a group of subcontractors. It gives a right to purchase those claims for the protection of the subcontractors in the event of bankruptcy. But there are many cases where the gentleman well knows that they did not actually take the prime contract and let out the subcontracts, but where they forced the purchasing agency to let those out to the small fellows and then they went and induced the small fellow to take the contract, where they acted as a go-between without actually taking the contract in their own name. This would give them a right, in the event the little fellow could not get his money under those circumstances from the prime contractor, to purchase the claim of the small or lower tier contractor, in order to give them protection.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. KEFAUVER. I yield.

Mr. WALTER. Does not the gentleman feel under the law as written it is possible for the Smaller War Plants Corporation to take an assignment of the claim?

Mr. KEFAUVER. In answer to the gentleman, I am afraid that such an interpretation would mean that the contracting agency could only purchase or take an assignment of the claim that was let by him. That is, I do not think, as it is now written, that the Navy could purchase a subcontract claim of the Army or that the Maritime Commission could purchase a subcontract claim of the Navy. So I believe this is really a protection for the small fellow who was induced to go into business by the Smaller War Plants Corporation and is entitled to protection.

The CHAIRMAN. The time of the gentleman from Tennessee [Mr. KEFAUVER] has expired.

All time has expired.

The question is on the amendment offered by the gentleman from Tennessee [Mr. KEFAUVER], to the amendment offered by the gentleman from California [Mr. VOORHIS].

The question was taken; and on a division (demanded by Mr. KEFAUVER), there were—ayes 28, noes 70.

So the amendment was rejected.

The CHAIRMAN. The question now recurs on the amendment offered by the gentleman from California [Mr. VOORHIS].

The amendment was rejected.

The CHAIRMAN. Are there any other amendments to be offered to section 7 of the bill?

Are there any amendments to be offered to section 8 of the bill?

Are there any amendments to be offered to section 9 of the bill?

Are there any amendment to be offered to section 10 of the bill?

Mr. VOORHIS of California. Mr. Chairman, I move to strike out the last word.

Mr. SUMNERS of Texas. Mr. Chairman, will the gentleman yield for a question which I wish to direct to the Chair?

Mr. VOORHIS of California. I yield.

Mr. SUMNERS of Texas. Mr. Chairman, are there any proposed amendments on the Clerk's desk with regard to this section?

The CHAIRMAN. The Chair is advised and will state to the gentleman from Texas that no other amendments to the present section are at the Clerk's desk.

Mr. SUMNERS of Texas. In view of that situation, Mr. Chairman, may I submit a unanimous-consent request that at the termination of the time allotted to the gentleman from California [Mr. VOORHIS], all debate on this section and amendments thereto be concluded?

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. VOORHIS of California. Mr. Chairman, I am sorry to take this time so late on Saturday afternoon, but I feel in duty bound to do it. As I have explained previously this afternoon, I am a member of the Committee on Post-war Policy and Planning, which voted to report this bill. These amendments that I have prepared for this afternoon were, it is true, prepared after our committee had disposed of the bill. But I believe that any Member of the House will at least share with me this concern. I think each one will at least share with me a deep concern over the extent to which big industry has gotten bigger and more powerful and more all-pervading in America during this war. That same process can go on to a greater extent in the period of reconversion unless we look out and provide against it.

Mr. VURSELL. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. I am glad to yield, although I have hardly begun my statement.

Mr. VURSELL. Mr. Chairman, I want to ask the gentleman if he feels his fight the other evening against the little oil companies helped to reduce the power of the big businesses and the big oil companies.

Mr. VOORHIS of California. Mr. Chairman, I certainly do, because that fight was not against the little oil companies at all, in spite of the gentleman's implication. I stated in my remarks the other evening that allowing an increase

in the price of oil and every derivative product thereof, which not a single, major integrated company needs for one single, solitary moment in view of their increasing profits would be primarily to the advantage of the majors and not the independent crude producers. The small, independent, high-cost producers of crude oil do need, in some instances, a higher return. But the provision which I opposed would have resulted in giving the major companies more money to use to squeeze out the independents and buy them out. Furthermore, the answer to that problem is precisely the one suggested in the bill which I myself introduced and the same answer that was proposed by Judge Fred Vinson, the economic stabilizer, that nothing has been done about it because the major companies have blocked it. That answer is the same one applied to high-cost copper mines and in many other industries—namely, to give to the high-cost, crude-oil producer an increased return for his crude oil and to guarantee him that if he produces that oil he is not going to lose money during this war period.

Mr. VURSELL. Mr. Chairman, will the gentleman yield further?

Mr. VOORHIS of California. I am sorry I cannot yield any further. I do not want to talk about oil during this 5 minutes. I want to talk about small business. Perhaps I should yield to the gentleman, but after all he introduces a completely extraneous subject here.

With regard to the bill before us, whether or not it is put in this bill or some place else, I am convinced that if we are to meet the problems of small business in this reconversion period we are going to have to have some device to give small business something like the same credit opportunities that big business enjoys. Small business, in some instances, cannot get any credit at all, and when they do get it, inevitably they have to take it on less favorable terms and at higher rates of interest than big business can get. The amendment which I have prepared would set up a program of guaranteeing 40 percent of loans of not to exceed \$50,000 made by banking institutions to small business in the period of reconversion, and for reconversion purposes. It seems to me that the committee is in such a frame of mind that at this time I am convinced that my amendment might not get the hearing I would like to have it get. I understand there is other legislation which may come before the House in the near future, in which this amendment might be inserted.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. Yes.

Mr. WALTER. Does not the gentleman feel that the problem he has in mind is adequately dealt with? We discussed it at the meeting which the gentleman attended and we felt that this provision in section 10 adequately dealt with the problem.

Mr. VOORHIS of California. I will say to the gentleman, I know I was there and we did discuss it, but I do not feel we believed it really adequately dealt with it. I know that my feeling was that

we sort of hoped that section might deal with it. We hoped they would be able to work out something that would go a certain distance toward dealing with it. But it is my opinion that the scope of this problem is such that unless you can get the ordinary banking institution to participate in the job on a major scale, and unless we can take positive action to improve the credit opportunities of small business the problem of small business will not be met.

The CHAIRMAN. The time of the gentleman from California has expired.

(By unanimous consent, Mr. VOORHIS of California received permission to revise and extend his remarks.)

Mr. COSTELLO. Mr. Chairman, I offer an amendment to section 11.

The Clerk read as follows:

Amendment offered by Mr. COSTELLO: On page 78, line 5, add the following:

"3. Shall provide prime contractors, and prime contractors shall provide affected subcontractors with that notice of cancellation by telegram, and confirmation thereof with instructions by registered mail, such notice to be effective upon receipt of the telegram."

Mr. COSTELLO. Mr. Chairman, the sole purpose of this amendment is to provide a specific method whereby notice of termination of contract shall be given. As it is now, no specific method is provided, and oral termination of contract can be given to a contractor. All I am doing by this amendment is to specify that telegraphic notice shall be sent to the contractor, and that to be confirmed by registered mail subsequently, giving details and instructions regarding that termination.

I cannot see that the amendment will do any harm to the bill. I think it will do a great deal of good. For that reason I think it should be adopted so that all contractors would know definitely the manner in which the contract is to be terminated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. COSTELLO].

The amendment was agreed to.

The CHAIRMAN. Are there any other amendments to be offered to section 11?

Are there any amendments to be offered to section 12?

Are there any amendments to be offered to section 13?

Mr. HANCOCK. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HANCOCK: On page 88, line 25, after the word "Board" strike out the period, insert a colon, and the following: "Provided, No member shall receive compensation in excess of \$10,000 per annum or be appointed for a term longer than 2 years."

Mr. HANCOCK. Mr. Chairman, as a member of the Committee on the Judiciary, I plead guilty to carelessness in not correcting in committee a section of the bill which authorizes the Director of Contract Settlement, without regard to the provisions of the civil-service law or the Classification Act of 1923, to appoint and fix the compensation and term of office of the members of the appeal board. That means the sky is the limit. It authorizes the Director to appoint

members to the appeal board for life and to pay them unlimited salaries.

By this amendment I simply limit the term of office to 2 years, which is the term of office of the Director, and provides that their compensation shall not be in excess of \$10,000 a year.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. HANCOCK].

The amendment was agreed to.

The CHAIRMAN. Are there any other amendments to section 11?

Are there any other amendments to section 14?

Mr. WALTER. Mr. Chairman, I offer an amendment, which is at the desk.

The Clerk read as follows:

Amendment offered by Mr. WALTER:

On page 92, line 10, after the word "address" insert "the Court of Claims may, upon motion of the Attorney General, in any suit or proceeding where there may be any number of parties having possible interests therein, notify such parties to appear to assert and defend such interests."

In line 17, strike out the word "subpena" and insert "summons."

In line 21, after the word "such" insert "summons or."

After the word "notice" strike out "or subpena."

On page 93, line 1, before the word "notice" insert "summons or."

And in line 2 strike out the words "or subpena."

Mr. WALTER. Mr. Chairman, this amendment follows the usual Court of Claims provision with respect to the service of notice to people who have an interest in the claim.

The other amendments are merely corrections to the language of the bill.

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. Are there any other amendments to section 14?

Are there any amendments to section 15 of the bill?

Are there any amendments to section 16?

Mr. THOMASON. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. THOMASON: Beginning on page 94, strike out all of section 16 and insert:

"GENERAL ACCOUNTING OFFICE

"SEC. 16. Notwithstanding any other provision of this act, all settlements authorized or required to be made by any contracting agency under this act (whether by agreement or by determination without agreement) and all payments authorized or required to be made to any war contractor which (except for this section) would be final, shall be tentative only, and shall not be binding on the United States until the settlement, together with all required supporting data, has been submitted to the General Accounting Office and approved by the Comptroller General of the United States. Any settlement submitted to the General Accounting Office under this section which has not been disapproved by the Comptroller General within 6 months after such submission shall, for the purposes of this section, be considered as having been approved by him."

Mr. THOMASON. Mr. Chairman, I will not take all the time allotted to me, because that has been quite thoroughly

discussed yesterday and today. But, as I see it, this goes to the very heart of this problem.

Objection was raised to the substitute offered by the gentleman from Kentucky [Mr. MAY] because it was long and cumbersome and also because, although it gave the Comptroller General some authority in this matter, it set up a director in every State. A careful reading of my amendment will disclose that although this does refer the matter to the Comptroller General, yet the termination agreement will be tentative only, and shall not be binding on the United States until the settlement, together with all required supporting data, has been submitted to the General Accounting Office and approved by the Comptroller General of the United States. But you will note that it also has this proviso:

Any settlement submitted to the General Accounting Office under this section which has not been disapproved by the Comptroller General within 6 months after such submission shall, for the purposes of this section, be considered as having been approved by him.

As I see it we come back to the original contention that thus far in this bill there is no single independent agent or representative of the Government even consulted on the termination of these contracts. I repeat that the parties are interested parties. I repeat that the contractor certainly has a selfish interest. I am not attacking the integrity or honesty of anybody. I also undertake to say that the representatives of the different agencies who let the contracts have some pride of authorship. And I am not attacking their integrity of course. But I think I have convinced the House of the hundreds of contracts that the Comptroller General has already presented to the Military Affairs Committee, showing where there has been excess charges, gross negligence and in some cases fraud. I just come back to my original proposition. I am not questioning the good motives of anybody else, but it does just seem to me that the Congress of the United States, having set up the General Accounting Office, it is no time to take away from him, if you please, some of the powers he now has, when he is needed more than ever before in the history of the Government. My hat is off to the fine work that has been done by the General Accounting Office ever since it was created by the Congress.

I happen to be a member of the joint committee as set up by Congress some years ago to investigate the Tennessee Valley Authority.

I had the good fortune at that time to see a lot of the late Mr. McCarl, the then Comptroller General. When I noted what he had done, the savings of money to the taxpayers of this country that he had accomplished, and when I know what Mr. Warren is trying to do, that is what causes me to feel a little resentful that you even take away from him some of the power he now has, try to cripple some of the other provisions of this bill. To me it is just common sense to say that the very man created by the Congress

to do a particular job should now when the need for his services is greatest have his powers continued and not diminished.

Mr. CASE. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield.

Mr. CASE. Would a settlement by reason of the expiration of the 6 months' period be binding should it later develop that there has been fraud?

Mr. THOMASON. No; I do not believe that in that event the Comptroller General could be estopped from going into the case.

As I understand it, if the Government agency and the contractor agree on the termination of a contract and the papers have been sent to the Comptroller General and he sees no evidence of any kind of overpayment, gross negligence, fraud, misconduct, or what not, then the contract shall be deemed finally terminated.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. THOMASON. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. THOMASON. The Comptroller General has found in many cases already where there have been gross overpayments. He has already saved the Government hundreds of thousands of dollars. I say he ought to be permitted to continue his work.

Mr. FOLGER. Mr. Chairman, will the gentleman yield?

Mr. THOMASON. I yield.

Mr. FOLGER. I ask the gentleman if the policy of the Congress is not fully indicated in creating the Accounting Office when it uses this language:

All claims and demands by the Government of the United States or against it shall be settled and adjusted in the General Accounting Office.

Mr. THOMASON. That is what I think; but I think I see some evidence on the part of some people to abolish this Office.

Mr. ROBSION of Kentucky. Mr. Chairman, I rise in support of the amendment, and ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The CHAIRMAN. The gentleman from Kentucky is recognized for 10 minutes.

[Mr. ROBSION of Kentucky addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. SUMNERS of Texas. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto close in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas [Mr. SUMNERS]?

Mr. CRAWFORD. Mr. Chairman, reserving the right to object, I do not know that I can add anything to this debate, but there have been 15 or 20 who spoke in favor of the amendment. I would like

3 minutes in opposition to the amendment.

Mr. SUMNERS of Texas. Mr. Chairman, I modify the request and ask unanimous consent that all debate on this section and all amendments thereto close in 15 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas [Mr. SUMNERS]?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. BONNER].

Mr. BONNER. M. Chairman, I had hoped and I have waited for some member of the committee or some Member of the House to rise in opposition to the amendment now pending. I have never accused anybody of wrongdoing or misappropriation of Government funds. I have no thought in mind that any Government official might misappropriate or not satisfactorily adjust these contract terminations afterward. Yet I happen to be a member of a subcommittee that has investigated reports which came down from the General Accounting Office. I have failed yet to find one of those reports incorrect.

It is passingly strange that here in this picture there is a determined effort to prohibit the General Accounting Office from taking any part whatsoever in the termination and the readjustment of these contracts other than through an audit after the contract has been readjusted and terminated.

It has been my pleasure to have known the present Comptroller General of the United States practically all of his life and all of my life. He is fair, just, and fearless in his everyday life and in his public life. He has gained the respect of this Nation by calling to the attention of the Nation the reckless manner in which certain contracts have been let. There are Members on my left who have taken his reports and spoken here in the House and who in the coming campaign will speak and take this administration down the country, you might say, for some of these transactions. I will not call the gentlemen names, but you will hear them either in the latter part of this Congress, and if not then, certainly in the next.

Why is there such a determined effort made here? Why is there this effort to keep the General Accounting Office out of the picture? It is a puzzle to me. I know of no one who has participated in fraud or stealing, but if this law passes it reminds me of an old song I used to hear, Go Feather Your Nest. The boys will feather their nests under this arrangement.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Michigan [Mr. CRAWFORD].

[Mr. CRAWFORD addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Texas [Mr. KILDAY].

Mr. KILDAY. Mr. Chairman, this amendment contains within its own lan-

guage the two grounds which condemn it. Every committee and every responsible Government agency which has worked on this problem has emphasized two things which must exist in contract termination. The first is that it shall be final, and, second, that it shall be promptly done.

This amendment provides that all contract terminations shall be tentative only. It then provides that they shall remain tentative until approved by the Comptroller General. There has been some emphasis placed upon the fact that the Comptroller General is given only 6 months within which he shall act upon the case submitted to him. I do not care when the time begins to run on that 6 months. I do know that the record of the Comptroller General's office indicates that it will take from 14 to 17 months for the average audit of the type that he insists upon. I know that 6 months is totally inadequate for a detailed audit of this great number of contracts.

Then what is the situation that confronts you? Either within the 6-month period he is going to make a perfunctory audit, which will amount to nothing, which will be of no advantage to the Government, or he is going to be forced to reject the claim and send it back to the contracting agency with which it originated, in order to secure the time within which to conduct an adequate audit. Time is of the essence of the entire matter. Even a 6-month delay is destructive of the economic security of this Nation. Recurrent 6-month periods would be fatal. Therefore the amendment would result in a defeat of everything we have been attempting to accomplish by legislation for contract termination. It would entirely upset the economic system of the country. No manufacturer, small or large, would know where he stood. He would be unable to get financing for civilian industry. As the gentleman from Michigan [Mr. CRAWFORD] has said, during that period of time we would have unemployment in this country.

This is the very heart of all we have worked on over these many months. Should the amendment offered by my colleague from Texas be adopted, I say that you are going to defeat everything we have ever hoped to accomplish. I have stated before that the personality of our friend, the Honorable Lindsay Warren, is in the consideration of this bill to a marked degree. I served here with Lindsay Warren, as did most of the rest of us. I have the highest regard for him. The gentleman from North Carolina [Mr. BONNER], who preceded me, was associated with him for many years, and I concur in his estimate of the man. But that is not the question involved here. I do not believe there would be very much of a case here for a detailed audit by the Comptroller General if it were not for the personality of Lindsay Warren. The question does not turn on Lindsay Warren. We all respect and admire him. He is the auditor for the Government. But he is not the contracting officer for the Government and he was never supposed to be the con-

tracting officer for the Government. He exercises an auditing function, and he does not make the contract, so he should not terminate the contract.

Mr. BONNER. Mr. Chairman, will the gentleman yield?

Mr. KILDAY. I yield to the gentleman from North Carolina.

Mr. BONNER. Why did the gentleman so vigorously oppose the Johnson amendment to appoint a third arbitrator in the settling of these claims?

Mr. KILDAY. I do not know who so vigorously opposed it. I did not speak against the Johnson amendment. I do know that no provision of that kind was considered by the Committee on Military Affairs when the matter was before it. I do not know whether it was considered by the Committee on the Judiciary or by the Post-war Economic Policy and Planning Committee, but I do know that this is not the kind of legislation you can write on the floor. It is a matter that is entirely too big to be written on the floor. It is a subject that has received the careful attention of a great many people. Only a very small minority have ever contended that it constituted an auditing function which should be controlled by the Comptroller General.

The CHAIRMAN. The time of the gentleman from Texas has expired. All time has expired.

The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. THOMASON) there were—ayes 33, noes 97.

So the amendment was rejected.

The CHAIRMAN. Are there any other amendments to be offered to section 16 of the bill?

Are there any amendments to be offered to section 17 of the bill?

Are there any amendments to section 18 of the bill?

Are there any amendments to section 19 of the bill?

Mr. SATTERFIELD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SATTERFIELD: Page 104, after line 23, insert:

"(e) It shall be unlawful for any person who, as a commissioned officer of the Army or the Navy, or officer or employee of the United States, has at any time during the period beginning December 7, 1941, and ending 6 months after the termination of hostilities in the present war as proclaimed by the President, been assigned to duty by either the War or the Navy Department, or employed in any agency of the Government, and in such assignment or employment been engaged on behalf of the United States in procuring or assisting to procure supplies, materials, construction work, or services for the Government, or who was prior to the termination of hostilities engaged in the settlement or adjustment of contracts or agreements for the procurement of supplies, materials, construction work, or services for the Government, within 2 years next after his discharge or other separation from the service of the Government to accept or to solicit employment in the presentation, or to aid or assist for compensation in the prosecution, of claims against the United States arising out of any contracts or agreements for the procurement of supplies, materials, construction work, or services for the Army, the Navy, or any other agency of the Government

which was pending or entered into while the said officer or employee was associated therewith. A violation of this provision shall be punished by a fine of not more than \$10,000 or imprisonment for not more than 1 year, or both. Subsection (j) of the Renegotiation Act shall cease to have any effect with respect to any period beginning after the date of the enactment of this act."

Mr. SATTERFIELD. Mr. Chairman, the gentlemen in charge of this bill on both sides of the aisle are fully conversant with this amendment, and I hope it is the pleasure of the Committee to accept the amendment.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. SATTERFIELD. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. I could not catch the reading of the amendment with reference to the renegotiation feature. Would the gentleman please explain it?

Mr. SATTERFIELD. The purpose of this amendment, or the reason for it, is to reenact legislation that has been on the books since 1872. Last year when we passed the 1943 Revenue Act there was a section in it, as you remember, on renegotiation. Within that part of the revenue act there was written certain language that partially abrogated the old general statute which was a prohibition against these employees and officers of the armed services representing their clients or aiding or abetting the doing of that sort of thing. The drafting bureau felt that the way to do this would be to repeal that section of the Renegotiation Act which was included in the revenue act so as to keep the record clear and reenact the law which had been on the books since 1872.

Mr. IZAC. Mr. Chairman, will the gentleman yield?

Mr. SATTERFIELD. I yield to the gentleman from California.

Mr. IZAC. Would this in any way weaken the renegotiation provision?

Mr. SATTERFIELD. No.

Mr. VINSON of Georgia. It would strengthen it.

Mr. SATTERFIELD. That is right.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. SATTERFIELD. I yield to the gentleman from Ohio.

Mr. VORYS of Ohio. Does this apply merely to contracts or negotiations with which the specific officer was concerned?

Mr. SATTERFIELD. That is right. It renegotiates exactly in the language of the old statute. The revenue act, I said, partially abrogated it. The inhibition formerly was for 2 years after the cessation of hostilities. In the Revenue Act which we passed last year it was cut down to 6 months and restricted to just a few departments. My amendment puts it back to the 2-year inhibition period and makes it apply to any department, to the officers of the armed forces engaged in the procurement, and the employees engaged in the same activity.

Mr. SUMNERS of Texas. Mr. Chairman, we accept the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia.

The amendment was agreed to.

The CHAIRMAN. Are there further amendments to section 19 of the bill?

Are there amendments to section 20 of the bill?

Mr. VOORHIS of California. Mr. Chairman, I move to strike out the last word.

The one absolute requirement, the one thing upon which all else will depend in the post-war period in our country is full employment of our people. For upon such full employment will directly depend the opportunity of returning veterans to secure jobs. Eleven million men will simply not be able to get jobs in a country where there is a depression or large-scale unemployment, even though absolute preference be given them. Nor will the jobs be any good under those circumstances. Such a condition simply cannot be permitted to take place.

Therefore other considerations have to take second place and this, I believe, is the justification for a bill such as the committee has reported. In spite of certain recognized dangers in connection with it, as has been said, it is worth risking some loss in order to secure speed of settlement and to do this one thing to work toward full employment.

By the same token, however, I hope Members who today will vote for this bill involving the billions of dollars of contract termination with the possibility of some loss to the Government, will not completely change their attitude when some of us are attempting to secure a fraction of the funds involved here for such things as school-lunch programs, social-security expansion, or things of that sort. For however good a job we may do on contract termination, there is no guaranty of full employment and prosperity involved in it. To put industry in a position to employ people does not mean that industry will do so unless there is a full market for its goods. That is the fundamental thing and always will be.

Prosperity does not trickle down from the top. It surges up out of the purchasing power of the mass of people.

(Mr. VOORHIS of California asked and was given permission to revise and extend his remarks in the RECORD.)

The CHAIRMAN. Are there amendments to section 21 of the bill?

Are there amendments to section 22 of the bill?

Are there amendments to section 23 of the bill?

Are there amendments to section 24 of the bill?

Are there amendments to section 25 of the bill?

Mr. DURHAM. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this bill provides under section 6(c) that any contracting agency may settle a termination claim and that a settlement so made by agreement with the contractor shall be final and conclusive, with certain exceptions, or if made without agreement with the contractor that it shall be final and conclusive subject to appeal or suit by the contractor. The need for prompt disposition of termination claims is recognized in order not to disrupt post-war

economy but there appears neither reason nor sound basis to authorize the contracting agencies to make a final and binding settlement, prior to audit or review by an independent agency of the Government, particularly when other provisions of the bill would authorize substantial interim or advance payments prior to final disposition of termination claims. Granting of such authority undoubtedly would result in the hurried, careless, and inefficient making of claim settlements prejudicial to the Government's interest, would result in millions of dollars of the taxpayers' money being wasted, which could be avoided by an independent audit or review of settlements prior to the making of final payments, and would open the door to fraud and collusion on the part of unscrupulous contracting officers and contractors.

Under section 7 (a) of the bill contracting agencies would be authorized to approve settlements of contractors with subcontractors "upon such evidence, terms, and conditions as it deems proper," and, when satisfied with the reliability of the war contractor, may authorize such contractor to make settlements with subcontractors without review. Settlements so approved or authorized would be final and conclusive. These provisions are subject to the same criticism as the provisions of section 6 (a), mentioned above. The authority which would be granted appears to be absolutely unnecessary and entirely too broad and dangerous.

Section 15 (a) provides that no officer or Government agent authorizing or approving a payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment in the absence of fraud on his part. Thus a settlement or payment could be authorized, approved, or made in the most negligent and inefficient manner, short of fraud, which would be final and conclusive upon the Government and for which the guilty party would have complete immunity from liability. Bearing in mind the complete authority which other sections of the bill would give contracting agencies this section is all the more repugnant to recognized concepts of care and responsibility. It well may be doubted that any reasonable basis exists for granting such authority. Fraud is extremely difficult of proof and it is even more difficult to set aside a completed transaction on the ground of fraud. Since settlements approved and payments made would not be subject to audit until after the transactions had been completed there appears all the more reason to place a greater responsibility on approving and paying officers. Certainly the least that could be expected is that they should be personally liable, not only for fraud but also for gross carelessness or inefficiency.

Section 15 (b) appears to make the foregoing comments all the more apt. Under said section contracting agencies would be authorized, in making termination settlements or interim financing, to rely upon certificates of war contractors,

and to authorize war contractors and other persons to rely upon such certificates, without financial liability in the absence of fraud on their part. Thus, all a contractor would need do would be to furnish a certificate as to its costs, etc., which could be accepted by the contracting officer without any examination or verification whatever and a settlement made on the basis of such certificate would be final and conclusive upon the Government in the absence of fraud, which it would be most difficult to establish under the provisions of the bill. Conceding negligence and inefficiency in the preparation or acceptance of such a certificate which would result in an increased cost to the Government, nevertheless, in the absence of established fraud, the Government would be bound and the parties involved would escape liability. It could hardly be argued, in view of the tremendous scope of operations which would be conducted under the program, that the Government could not lose millions, and perhaps billions of dollars simply through reliance on certificates of unscrupulous, greedy, or careless contractors, subcontractors, and so forth. If certificates are to be authorized, it would not appear that there should be anything short of a complete verification and audit of such certificates.

Under section 18 of the bill the Director of Contract Settlement is authorized to prescribe the records in connection with termination settlements which shall be transmitted to the General Accounting Office and he is directed to reduce the amount of record keeping, reporting, and accounting in connection with the settlement of termination claims to the minimum. He could confine the records to be submitted to the General Accounting Office simply to the bare termination agreement without any supporting papers. Thus, though the General Accounting Office is authorized under section 16 (a) (b) of the bill to examine settlements to see whether the amount paid was in accordance with the settlement agreement, and whether the records transmitted to it warrant a reasonable belief that the settlement was induced by fraud, such authority could be rendered completely ineffective merely by the Director limiting the records to be furnished to that agency to such a minimum that it would be impossible to detect fraud.

Section 16 (c) of the bill appears to be both unnecessary and undesirable. It is unnecessary in view of the broad authority conferred upon the Comptroller General under sections 312 and 313 of the Budget and Accounting Act, 1921 (42 Stat. 25, 26). It is undesirable because it tends to restrict the authority which the Comptroller General now has. The said section would authorize the Comptroller General to investigate settlements for the purpose of determining whether settlement methods and procedures are designed to result in expeditious and fair settlements; whether the methods and procedures are followed by the contracting agencies with care and efficiency; and whether such methods and procedures adequately protect the interest of the Government. And suppose he finds that

the settlement methods and procedures fail to meet the required standards? He is to report the matter to Congress with suggestions and recommendations for additional legislation. And just how effective would that be to remedy a situation found to be deficient?

The termination program would be progressing and the need would be immediate. Nevertheless, before reporting the matter to the Congress the Comptroller General would be required to make suggestions and recommendations to the agency involved for the improvement of the methods and procedures followed. And then, at least 30 days before filing a report with Congress, the Comptroller General would be required to submit a copy thereof to the agency concerned, and the Director. After the lapse of at least 30 days the report could go to Congress accompanied by the comments of the agency involved. In the meantime the termination program would have proceeded toward completion. We may assume that the reports filed with the Congress would be turned over to the committees which sponsored this bill. In that event the difficulty of obtaining different legislation would be rather obvious, particularly since it is apparent the contracting agencies would support the procedures and methods which had been followed. On the other hand, if the reports be turned over to other committees, even in that event there is no assurance that they would be acted upon promptly, having regard for normal legislative procedures and the fact that the reports of the Comptroller General and the contracting agencies undoubtedly would not be harmonious. The simple matter of getting legislation is a slow and difficult procedure, and the fact that the additional legislation, if obtained, would not serve any useful purpose after the termination program is completed needs no emphasis. Section 16 (c) of the bill is almost meaningless, from a practical and effective standpoint, because the harm will have been done and the termination program will be almost over—depending on the course and speed of coming events—before the procedure provided therein could be productive of any worth-while results.

Section 20 (f) is entirely too broad, is unnecessary, and only makes more possible collusion and fraud between Government agents and contractors.

Under section 23 (a) (b) the Director of Contract Settlement is authorized to delegate his authority to the heads of Government agencies, who, in turn, are authorized to redelegate it to any officer, agent, and employee of their respective agencies. Thus, the limited control over the program which the bill would give to the Director could be delegated and re-delegated right back to the various contracting officers and thus render ineffective, wholly or in part, the purposes contemplated by the bill in the establishment of the Office of Contract Settlement.

(Mr. DURHAM, Mr. BROOKS, and Mr. BONNER asked and were given permission to revise and extend their remarks in the RECORD.)

The CHAIRMAN. Are there any amendments to be offered to section 26 of the bill?

Mr. NORRELL. Mr. Chairman, I move to strike out the last word.

[Mr. NORRELL addressed the Committee. His remarks will appear hereafter in the Appendix.]

(Mr. NORRELL asked and was given permission to revise and extend his remarks in the RECORD.)

The CHAIRMAN. Are there any amendments to section 27 of the bill?

The question is on the committee substitute as amended for the bill, S. 1718.

The committee substitute as amended was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. HART, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee having had under consideration the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, pursuant to House Resolution 589, reported the same back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the third reading of the Senate bill.

The bill was ordered to be read a third time, and was read the third time.

Mr. MAY. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. MAY. I am, Mr. Speaker.

Mr. MARTIN of Massachusetts. Mr. Speaker, I understood the vote on the bill was going to go over until Monday. Is it not better to have the whole proceedings go over? I do not want to have to make the point of order that a quorum is not present.

The SPEAKER. The gentleman can offer his motion to recommit and have it pending.

Mr. MARTIN of Massachusetts. I do not want to take any action that would prevent the gentleman from making the motion to recommit at this time, but we had understood that the vote was not going to be taken this afternoon and consequently were not prepared for this stage of the proceedings. Of course, the right to make a motion to recommit belongs to the minority if we care to exercise it.

Mr. MAY. Nobody claimed it, and I have made the motion to recommit.

Mr. MARTIN of Massachusetts. If that is the case, Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Will the gentleman withhold the point of order a moment?

Mr. MARTIN of Massachusetts. Certainly, Mr. Speaker.

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the further

consideration of this bill be postponed until Monday next.

Mr. MAY. I object, Mr. Speaker.

The SPEAKER. Is there objection? The Chair hears none.

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday at 11 o'clock.

Mr. MARTIN of Massachusetts. Reserving the right to object, Mr. Speaker, will the gentleman tell us the program for Monday?

Mr. MAY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. Does the gentleman from Massachusetts yield for a parliamentary inquiry?

Mr. MARTIN of Massachusetts. I yield, Mr. Speaker.

Mr. MAY. Mr. Speaker, what motion is pending?

The SPEAKER. The gentleman from Massachusetts has asked unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock on Monday, and the gentleman from Massachusetts [Mr. MARTIN] has reserved the right to object.

Mr. MAY. Mr. Speaker, the gentleman from Massachusetts [Mr. McCORMACK] made a unanimous-consent request to which I objected, and I never withdrew my motion.

The SPEAKER. The Chair certainly did not hear the gentleman. The gentleman from Massachusetts [Mr. McCORMACK] made the request that further proceedings on the bill be postponed until Monday.

Mr. MAY. I made an objection, Mr. Speaker, and I repeat it now.

The SPEAKER. Did the gentleman object at that time?

Mr. MAY. I certainly did.

Mr. MARTIN of Massachusetts. Will the gentleman tell us what he objected to?

Mr. MAY. I objected to the unanimous-consent request made by the gentleman from Massachusetts that the bill go over until Monday.

The SPEAKER. If the gentleman says that he objected, the Chair accepts it, of course.

INTERIOR DEPARTMENT APPROPRIATION BILL, 1945

Mr. JOHNSON of Oklahoma. Mr. Speaker, I ask unanimous consent that I may have until midnight tonight to file a conference report and statement on the bill (H. R. 4679) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1945, and for other purposes.

The SPEAKER. Is there objection?

There was no objection.

The conference report and statement follow:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4679) "making appropriations for the Department of the Interior for the fiscal year ending June 30, 1945, and for other purposes," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 2, 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 35, 36, 38, 43, 45, 46, 47, 62, 63, 64, 70, 71, 72, 73, 75, 76, 77, 78, 79, 85, 86, 96, 97, 98, 99, 100, 101, 104, 106, 107, 110, 111, 114, 122, 123, 124, 125, 126, 129, 131, 132, 139, 140, 141, 142, 143, 144, 145, 146, 151, 152, 153, 154, 157, 158, 161, 162, 163, 164, 165, 167, 168, 170, 171, 172, 173, 174, 180, 181, 182, 185, 188, 194, 195, 197, and 206.

That the House recede from its disagreement to the amendments of the Senate numbered 15, 21, 34, 37, 49, 67, 68, 81, 83, 87, 90, 91, 102, 103, 105, 108, 121, 137, 177, 179, 187, 199, 200, 201, and 208, and agree to the same.

Amendment numbered 7: That the House recede from its disagreement to the amendment of the Senate numbered 7 and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$115,000"; and the Senate agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$8,500"; and the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$3,813,540"; and the Senate agree to the same.

Amendment numbered 33: That the House recede from its disagreement to the amendment of the Senate numbered 33, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$45,000"; and the Senate agree to the same.

Amendment numbered 44: That the House recede from its disagreement to the amendment of the Senate numbered 44, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$175,000"; and the Senate agree to the same.

Amendment numbered 48: That the House recede from its disagreement to the amendment of the Senate numbered 48, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$302,130"; and the Senate agree to the same.

Amendment numbered 50: That the House recede from its disagreement to the amendment of the Senate numbered 50, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$79,960"; and the Senate agree to the same.

Amendment numbered 51: That the House recede from its disagreement to the amendment of the Senate numbered 51, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$132,953"; and the Senate agree to the same.

Amendment numbered 52: That the House recede from its disagreement to the amendment of the Senate numbered 52, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$212,827"; and the Senate agree to the same.

Amendment numbered 53: That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$132,953"; and the Senate agree to the same.

Amendment numbered 54: That the House recede from its disagreement to the amendment of the Senate numbered 54, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$212,827"; and the Senate agree to the same.

Amendment numbered 55: That the House recede from its disagreement to the amendment of the Senate numbered 55, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$345,780"; and the Senate agree to the same.

Amendment numbered 56: That the House recede from its disagreement to the amendment of the Senate numbered 56, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$10,500"; and the Senate agree to the same.

Amendment numbered 57: That the House recede from its disagreement to the amendment of the Senate numbered 57, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$39,900"; and the Senate agree to the same.

Amendment numbered 58: That the House recede from its disagreement to the amendment of the Senate numbered 58, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$39,200"; and the Senate agree to the same.

Amendment numbered 59: That the House recede from its disagreement to the amendment of the Senate numbered 59, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$39,900"; and the Senate agree to the same.

Amendment numbered 60: That the House recede from its disagreement to the amendment of the Senate numbered 60, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$39,200"; and the Senate agree to the same.

Amendment numbered 61: That the House recede from its disagreement to the amendment of the Senate numbered 61, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$89,600"; and the Senate agree to the same.

Amendment numbered 65: That the House recede from its disagreement to the amendment of the Senate numbered 65, and agree to the same with an amendment, as follows: In lieu of the matter inserted by said amendment, insert the following: "not exceeding \$21,650 for construction and equipment of a dormitory building at the Denehotso Day School on the Navajo Indian Reservation;"; and the Senate agree to the same.

Amendment numbered 66: That the House recede from its disagreement to the amendment of the Senate numbered 66, and agree to the same with an amendment, as follows: In lieu of the matter stricken out and inserted by said amendment, insert the following: "and on the Fort Apache Reservation, Arizona, \$6,066,940"; and the Senate agree to the same.

Amendment numbered 69: That the House recede from its disagreement to the amendment of the Senate numbered 69, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$320,000"; and the Senate agree to the same.

Amendment numbered 74: That the House recede from its disagreement to the amendment of the Senate numbered 74, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$1,444,250"; and the Senate agree to the same.

Amendment numbered 80: That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$85,650"; and the Senate agree to the same.

Amendment numbered 92: That the House recede from its disagreement to the amendment of the Senate numbered 92, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$200,000"; and the Senate agree to the same.

Amendment numbered 95: That the House recede from its disagreement to the amendment of the Senate numbered 95, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "\$950,000"; and the Senate agree to the same.

Amendment numbered 109: That the House recede from its disagreement to the amendment of the Senate numbered 109, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$450,000"; and the Senate agree to the same.

Appendix

Contract Settlement Act of 1944

SPEECH

OF

HON. JOHN J. SPARKMAN

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Friday, June 16, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. SPARKMAN. Mr. Chairman, this legislation that we now have before us is just about as important for the economic stability of this country after the war and in the closing days of the war as any legislation that may come before us. There is one thing I want to mention before I get into a discussion of this legislation and I would like the particular attention of the gentleman from Texas [Mr. THOMASON] and the gentleman from Kentucky [Mr. MAY] to this statement.

I have heard both the gentleman from Kentucky, the esteemed and able chairman of the Committee on Military Affairs, and the gentleman from Texas [Mr. THOMASON], the ranking member of that committee, make the statement that the Budget and Accounting Act grew out of the frauds and scandals involved in the settlement of World War No. 1 contracts. I was not here, I did not participate in the debates at that time, but a month or so ago I called the legislative reference department of the Congressional Library and talked with the Director. I told him that I had heard that statement made on several different occasions, and that I would like very much for his service to go back and check the debate and check the reports in connection with the enactment of that legislation, and let me know if that were true. Several days ago I received a call from the Congressional Library, and I was told that had been done and so far as they could determine there was no connection between the two. I simply report that for what it may be worth.

With reference to the statement that the gentleman from Texas [Mr. THOMASON] made, calling to our attention exceptions made by the Comptroller General to the payment of certain items, I am not going to discuss the statement, but may I say that there is a printed copy of the hearings had before the Military Affairs Committee, and I invite your reading of the statement of Under Secretary of War Patterson regarding these items which commence on page 251 of the hearings. You will find a complete answer to every bit of the charge that has been made.

Mr. Chairman, the contracts that have been awarded in this war run I suppose somewhere between two hundred and three hundred billion dollars. We in the Congress gave to the various procurement agencies the right to make those contracts. If anybody had come in and said: "We are going to insist that the Comptroller General sit in on the making of those contracts, that he audit the accounts and the payments before they are made under those contracts, that he sit in on the various stages where those contracts are changed, modified, or where they are completely discharged," everyone would have said: "That is foolish. We are not going to permit it."

We let them go along and make those contracts. If the contract is completely finished, we let them pay up and the Comptroller General has nothing to do with it except to check to see that the payments are made in accordance with the terms of the contracts. If there are any modifications to be made in the contract they can go ahead and make them. The settlement or termination of a contract is not anything in the world except a modification of the contract itself. There may not be 5 percent of the contract left unfinished. It may be a contract involving a hundred million dollars; we let them spend \$95,000,000 without any control or veto power in the Comptroller General; yet because there is \$5,000,000 unsettled, we come in and say: "You must protect the taxpayers by bringing in the Comptroller General." It just simply does not make sense.

The cash outlay in the settlement of these contracts is not a tremendous sum. Let us assume that when the time comes to cut off the contracts there are unfinished contracts to the extent of a hundred billion dollars and I think most estimates place it at some point between seventy-five and one hundred billion dollars. It does not mean that much money is going to be paid out. As a matter of fact, the experience in the settlement of these contracts so far has been that only 2 percent is paid on the unfinished contract value. Out of \$3,900,000,000 of unfinished contracts \$85,000,000 cash was paid out. That is the history of the first 14,000 settlements by the War Department.

We let them pay tremendous sums of money in the full discharge of these contracts, but when the final date comes and only 2 percent remains to be paid, we say that the taxpayers of this country must be protected by inclusion of the Comptroller General, giving him some authority that he has never had before.

Let us suppose that the Comptroller General is brought into the picture. Where is the Comptroller General going to get his help? According to the testi-

mony on page 615 and page 618 of the hearings held by the Committee on Military Affairs, Mr. Yates of his office said that they were going to get them from the armed services and from the various procurement agencies that were using those people now. Let me ask you a simple question: Why is it that the Comptroller General can use those same persons and there is honesty, integrity and protection of the taxpayers; yet when those same people function for the Navy, for the Army, for the Maritime Commission, for the R. F. C., for the Treasury Department or for a dozen other agencies, the taxpayers need to be protected? Honest, when they are working for the General Accounting Office—not to be trusted when they are working for anybody else. I believe it violates the very fundamental philosophy of life to the effect that people are inherently honest and do not want to cheat the Government.

Mr. COLMER. Will the gentleman yield?

Mr. SPARKMAN. I yield to the gentleman from Mississippi.

Mr. COLMER. I have been very much impressed with the gentleman's able statement with reference to the use of these servants of the agencies to terminate these contracts. As I say, I was especially impressed with that statement. Is it not a fact that if somebody were going to be dishonest in terminating these contracts, the man wearing the naval uniform or the Army uniform as a member of one of the armed forces would have more to lose than the civil-service fellow because the Army and Navy man would be kicked out of the service? In addition to losing his job, he would be given a dishonorable discharge.

Mr. SPARKMAN. I think the gentleman is absolutely correct.

Mr. Chairman, I have just one further point. This matter has been studied by seven different congressional committees and let me name them to you very quickly: The Post-War Committee over in the Senate, Senator George's committee, the Murray subcommittee of the Senate Committee on Military Affairs, the full Committee on Military Affairs of the Senate, the Judiciary Committee of the House, the Naval Affairs Committee of the House, the Military Affairs Committee of the House, and the Post-War Committee of the House, headed by the able gentleman from Mississippi [Mr. COLMER].

Every single one of those committees came out with the recommendation along the line of this bill that we are considering today, with the exception of the Committee on Military Affairs, and 13 Members, exactly one-half of that committee, recommended the same thing.

I do not know anything that can speak more forcefully than this. I think it is a simple matter of getting these contracts terminated, settled, the property out of the plant, the claims paid off, and an absolute finality that people can rely upon.

Contract Settlement Act of 1944

SPEECH

OF

HON. JOHN JENNINGS, JR.

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Friday, June 16, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. JENNINGS. Mr. Chairman, I believe I can discuss this bill without becoming emotional. It is a bill which was worked out by the subcommittee of the Committee on the Judiciary of the House. As a member of the Judiciary Committee I, along with the whole committee, made a careful study of the bill. From my study of it, from the analysis made by the able gentleman who had its preparation in charge, and from hearing and reading the testimony of Mr. Baruch, Mr. Hancock, and others, I am convinced it is a good bill. There has been an intimation here that this bill might become a vehicle for, or the shield and buckler of, those who want to raid the Treasury and perpetrate fraud and I have almost been led to believe that some of the gentlemen who talked on that subject had just about gotten in the frame of mind of the old fellow who said to his friend: "Bill, there are just two honest men on earth, you and me, and I'll be damned if I don't doubt you about half the time."

Let us see what this bill does. It sets up the machinery for the speedy termination of contracts and settlements of matters involved and for the interim financing of those who have been engaged in the performance of war contracts. It is designed primarily to accomplish the challenging need of the hour, and that is to see that there is no lag—that there is no interruption in employment in this country. This bill is vital to the preservation of our system of free enterprise by freemen. It is vital in that, in my opinion, it will enable industry to shift in the least possible time to a peacetime production and to retain on the pay roll the millions of men and women who are now engaged in war industry and to afford employment to the boys and girls in our armed forces when they come back from the war they are now fighting.

Let us see if it opens the door to fraud. It provides for the creation of the office of contract settlement, which shall be headed by the director of contract settlement. The act provides that he shall be selected and appointed by the President of the United States and confirmed by

the Senate. Everybody knows what my politics is, but I would be the last person in the world to stand on this floor or elsewhere and say or intimate that the President would appoint to a position of this importance a man whose honesty might be questioned, and I would not venture the assertion for 1 minute here or elsewhere that the Senate of the United States would place the stamp of its approval on anyone except an honest man of great ability to perform this great task.

Mr. BROOKS. Mr. Chairman, will the gentleman yield?

Mr. JENNINGS. No; I cannot yield; I have too little time.

Mr. BROOKS. I have no time at all.

Mr. JENNINGS. That is not my fault, my friend. If I had charge of the time, I would give it to the gentleman, but I do not have any spare time.

The bill goes further and provides for the setting up of a contract settlement advisory board with which the director shall advise and consult. Listen as I read the list of those who are to compose this board. The board shall be composed of the director, who shall act as its chairman, the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the Chairman of the Board of Directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the Chairman of the Board of Directors of the Smaller War Plants Corporation, and the Attorney General, or any alternate or representative designated by any of them. Can it be said for one moment, does anybody really believe, that such a set-up as that would sanction or condone fraud? Then in addition to that, the latter part of this measure suspends the running of the statute of limitations for a period of 3 years after the cessation of hostilities in favor of any person who might offend against the drastic provisions of this law to prevent fraud or imposition upon the Government.

It has been well said, and I want to reiterate it, that time is of the essence in this matter. Everyone who has kept abreast of the times knows that the first great problem when we got into this war was to shift our economy to a wartime basis of production. Miracles have been accomplished in that great task. The efforts of management, ownership, the men who perform the work in our great factories and in our great shipbuilding plants have been translated into armament that is now in the hands of every one of our allies, in addition to our own armed forces, and their efforts, their contribution is extended to every battlefield in the world. While we are going downstream on a great flood tide of production on an income of more than \$140,000,000,000 a year everything looks rosy; but when this war ends this Government and our people will be met with the most challenging problem that ever any people faced on this earth, the problem of maintaining a free economy, the problem of keeping our people at work, the problem of taking care of these boys and girls

who come back from the battlefronts. I have talked to hundreds of them, and in all they say there is a note of wistfulness, a note of anxiety, and inquiry: "What will we come back to? What chance will we have for a job when we come back? What sort of life will lie before us?"

I say, therefore, that this is a challenging question; it is a question of supreme importance, it is a question about which the people are, you might say, justly impatient; but it is a question that could not be solved overnight. The time of decision has now come. We must write upon the statute books a measure that will set up machinery, that will provide yardsticks, that will provide methods by which we can shift our economy to one of peacetime production. Our people need automobiles, they need trucks, they need tractors, they need household effects, they need all of the implements of peacetime industry, and I believe that the genius of the American people is such that the resourcefulness of the American people is such that if we afford them a *modus operandi*, a method by which they may turn the efforts and energy of the capital and labor of this country into the proper channels just as speedily as possible, we will not have millions of unemployed men and women in this country when the war is over. Let us pass this measure. In so doing we will have taken a long step forward in the path that leads to readjustment, and that will assure jobs and prosperity to all our people.

The magnitude of the problem, the urgent need of the prompt enactment of this measure is apparent when we keep in mind these facts:

The Federal Government now has in force contracts with from 100,000 to 200,000 prime contractors who are manufacturing war materials. These prime contractors, in turn, have entered into more than 1,000,000 subcontracts. This year these concerns will produce \$75,000,000,000 worth of war materials. There is now in process of fabrication and manufacture more than \$10,000,000,000 in value of war materials. More than 10,000,000 men and women are engaged in this war work. When the war with Germany or Japan ends, or when it ends with both of them, the Government will no longer need these war materials. Fortunately, the contracting agencies of the Government—the War Department, the Navy Department—have trained and experienced men who have made these contracts, and who have kept and are now keeping daily supervision over their performance. These men know the details of these matters. They are in a position speedily, honestly, and efficiently to close out and make just and equitable settlements with the contractors. They can do this promptly. When this is done, the industrial plants of the country can be retooled for the production of the goods our people and the people of the world so badly need. If this transition can be made in from 60 days to 6 months, if these men in charge of our industrial plants can get the money due them on the contracts they are performing, our people can be kept at work, the returning

members of our armed forces can get jobs, and this country can be saved.

These matters cannot await a hair-splitting audit, lasting from 6 months to 6 years. A workman gets hungry in less than 24 hours. And the industry of this country may well be wrecked in 6 months. This well-considered measure, along with others now being considered, will insure continued employment of our people and the salvation of our industrial system. Its speedy enactment is imperative.

Contract Settlement Act of 1944

SPEECH

OF

HON. JOHN Z. ANDERSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, June 16, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. HANCOCK. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. ANDERSON].

Mr. ANDERSON of California. Mr. Chairman, the legislation before the House, S. 1718, as amended, is "must" legislation. This is the first step to be taken by Congress following the outline of the very excellent report on war and post-war adjustment policies submitted by Bernard M. Baruch and John M. Hancock, on February 15, 1944.

Four separate committees of the House of Representatives have held long hearings on the subject of contract termination. Each committee has submitted a report, and although the reports vary, the general objectives are the same.

As pointed out in the Baruch report, speed is of the essence. All of us hope and pray that hostilities in both theaters of war will be successfully ended at the earliest possible date. However, even prior to the end of the war, the United States will be confronted with the problem of terminating many thousands of war contracts that are now in effect. If we desire to avoid economic chaos, it is incumbent upon the Congress to pass this proposed legislation speedily and without crippling amendments.

Personally I am pleased to note that S. 1718 deals solely with the subject of contract termination. When a similar bill was under consideration in the House Committee on Naval Affairs it included a provision dealing with the disposal of surplus Government commodities and materials. It is my opinion that this subject should be dealt with in separate legislation and the fact that the Judiciary Committee of the House agrees with me is gratifying.

The disposal of surplus Government commodities, as was pointed out in the Baruch report, is the second important step to be taken in order to avoid tremendous economic dislocations in the

post-war period. This job is now being handled rather efficiently by Mr. W. L. Clayton under Executive order. As soon as possible this Executive order should be replaced by statute, but I am still firmly of the opinion that this is a matter for consideration in another bill.

In addition to the two points already mentioned, we must give ample consideration to the human side of demobilization. None of us desires to ever again see disabled servicemen selling apples on the street corners. I do not want to have the Government forced into a position where it must adopt another "make work" program similar to the old W. P. A. I want to see private industry in this country in a position to insure jobs not only for those who are now serving on war fronts all over the world, but jobs for those who are now employed in war industries. The prompt settlement of war contracts and orderly method of disposing of surplus Government material and the preservation of free private enterprise will guarantee the results that we are all seeking to achieve.

I intend to support the pending bill, and I trust that it will speedily be enacted into law.

(By unanimous consent, Mr. ANDERSON of California was granted permission to revise and extend his remarks.)

Leathem D. Smith Talks Sense for a Post-war America

EXTENSION OF REMARKS

OF

HON. ALVIN E. O'KONSKI

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Saturday, June 17, 1944

Mr. O'KONSKI. Mr. Speaker, we hear much talk these days about post-war America. Many books and pamphlets have been written, many of which are too complicated for ordinary understanding. Seldom do we have a plan stated in simple and practical language and one based on common sense. Under unanimous consent, I insert in the CONGRESSIONAL RECORD a really worthwhile statement made by Leathem D. Smith, of Sturgeon Bay, Wis., about a post-war America in general and Wisconsin in particular.

WE CAN—WE MUST ADOPT A PROGRAM FOR POST-WAR AMERICA

(By Leathem D. Smith)

We hear much discussion these days on the necessity for preserving the free system of American life. We probably have too little conception of just what is meant and just what is required, in view of the changes brought about by the war, to preserve this system of free enterprise, with all the freedom and advantages which it gives to the individual.

The great majority of our citizens I am sure are in accord with this desire, but do we all realize the threat to its existence which results from our inability to find a solution to the problem of unemployment prior to the beginning of all-out expenditure of public funds for the war effort? I want to discuss some of the factors which were respon-

sible for the disruption of our economy and also measures which I believe will be helpful in restoring not only normal conditions of employment but also a safer, sounder system, profiting from the tragic depression experience through which we have gone.

There has been one fact clearly demonstrated by this war which should permanently squelch the ambitions of would-be dictators and parlor pink theorists in this country, and that is the definitely proven fact that our people, born and reared under the free system of American life, are superior in fighting, in individual workmanship, and in industrial management production to the mechanized robots trained under the rule of the dictators. Never again do I expect to hear it said that we must imitate the technique of these dictators in order to compete efficiently with them, either in industry or in war. The record of our young men in the fighting services, flying the big planes, navigating and fighting our naval ships, quickly adapting themselves to the art of mechanized warfare, proves the superiority of our system of stressing the training of the individual for himself and not as a cog in a machine.

The second great problem, and the one which I believe is foremost, next to the winning of the war, in the minds of our servicemen, our people in war plants, and in fact all our citizenry is "What does the economic and employment situation of the country hold in the future for us all?"

Since real depression hit us in 1931, attempts have been made, largely through Federal spending, to correct the unemployment situation. Little progress was made, in spite of a rapidly increasing Federal debt, toward alleviating the numbers of unemployed.

Not until the country went all-out in spending, first on a defense program and then on a war-construction program, was this situation corrected.

It should be apparent, however, to all of us that this program cannot be continued—that, at the rate the national debt is increasing we would be only a short distance in time and amount of expenditures from national insolvency. Rather, steps must be taken toward maintaining a national income from other sources that will meet the carrying charges and the gradual reduction of this indebtedness. We are all coming within the scope of the income-tax collections and becoming tax conscious. Many of us know, from this new experience, the cost of carrying the burden of national expenditure and debt.

This problem of restoring national prosperity and employment is not so difficult as it may seem if one will not be confused by the conflicting ideas of minority groups and special interests but will seek the basic factors which control and regulate our standards of living and of employment.

Basically, all employment rests upon the serving of the individual human needs of our people. Fifty years ago, before the great advances in mechanized and industrial production, our wants were comparatively simple and very few in number. Barter was used to a large extent for the exchange of goods and services. Farmers traded their products at the stores for their necessities. I can remember the store books issued by the old lumber companies to their workmen. Little money or bank credit was in use or in circulation.

With the development of inventions and mechanized production and the great specialization of employment which ensued, it was necessary to have an ever-increasing volume of money or medium of exchange to handle the increased volume and velocity of trade, so that unemployment would not ensue from an inability to distribute the products of manufacture. To finance the distribution of these products, the American unit banking

system was developed. Soon every small town had its bank or banks, operated by men who knew the character, resources, and ability of its citizens and who were in the best position to judge the ability for repayment of loans requested.

The development of the American banking system, with credit available to the grass roots of the country, was as big a factor in the raising of the standard of living of the American people as all of their mechanical and inventive ability, for without this trade-financing system the products of industry could not have been distributed and we would have encountered earlier the situation which prevailed in the 1930's—over-production in every line and under-consumption amounting almost to privation among a large percentage of our people.

A weakness of the banking system was that, through the correspondent banking method, it took its advice as to credit policies from a few large banks in New York. These banks were always closely identified with the stock market, and during the boom period of the 1920's many of the officials of these banks found that the easiest way to make money was by gambling on the stock exchange. After the stock-market crash in 1929 the market manipulators made several unsuccessful attempts during the year 1930 to run the market up, or "bull" it, but failed because the public, after their scare in 1929, could not be again interested in speculating in stocks.

Almost immediately after the first of the year in 1931 a decision seems to have been reached by those manipulators to "bear" the market, or run it down by short selling, a method whereby the short seller profits from every drop in price of listed stocks, and apparently to use the banking system of the country to aid this movement.

Word was sent out to every banker in the country, through his correspondent banks in the larger cities, to get himself liquid. That meant calling in his loans. This was promptly acted upon, and borrowers in all of the banks in the country began to feel the pressure to pay up the money they had borrowed. This forced the sale of stocks and bonds which had been put up as collateral for loans, and these were dumped on the stock and bond market, forcing the market down and paying off big profits to the manipulators, who were short-selling.

The result, as we well know, was a strong deflationary movement throughout the country which resulted in the closing of all the banks and the bank moratorium in 1933.

In 1932 I started a campaign, which was publicized in the Milwaukee Journal, attempting to close the stock market in order to stop the deflationary spiral and the withdrawal of outstanding working bank credit. This effort was forcibly commented on by the Milwaukee Journal editorially in June 1932 under the heading "Close the stock market."

Outstanding bank credit to individuals and small businesses shrank from about \$40,000,000,000 in the 1920's to \$20,000,000,000 during the depression 1930's indicating the withdrawal of approximately \$20,000,000,000 from circulating credit which had been financing employment.

The banking system as it is now constituted will never again, under its present restrictions, place this credit in circulation. A new system must be devised, either in connection with the existing banking system or as an entirely separate institution, where people will invest their money to earn interest—money which cannot be withdrawn on demand and which can be loaned out safely to persons and small corporations, who have been suffering so acutely for lack of sources of credit since the bank failure. The replacement of this private capital in loans is the only method of curing chronic unemployment in this country.

Since this has loomed as one of the great problems in our history, I am stressing this issue, and I have spent a great deal of time, study, and investigation determining the causes of the bank failure and, conversely, the methods by which this credit can be refuted and this working money again put into circulation. The failure of the banks which we did business with and knew was not due to mismanagement by the bankers but to causes entirely beyond their control.

Farmer, labor, and management have all cooperated in a fine manner to insure the success of the war effort. Because of Federal indebtedness Federal expenditures must be cut to the bone for the future, and all of our productive classes must cooperate to solve these problems of the peace in the post-war period. My plea is for farmer, labor, and management to study these post-war problems together.

All of us who have been through the ups and downs of depressions and booms in this country know that there is very little prosperity for any one class when any of the others are suffering. When times are good we all prosper; when times are bad we all suffer.

In my talk on March 4 in Sturgeon Bay I stated that I did not believe in granting favors to any special group but that I was interested in working with the organized representatives of every group of our population, cooperating in a joint effort to increase our national well-being. In commenting on the problems of labor I stated that I wanted to approach the problem on a constructive basis, cooperating with the organized representatives of labor toward the end that there might be continued improvement in real wages and the standards of living, without the losses caused by labor warfare, often without any gain in real wages because of the increased burden put on the costs of production.

Increases in income to labor which do not increase the costs of production do nothing to upset the parity of prices between farm and manufactured products. Such increases, by increasing the buying power of labor, help to maintain a market at good prices for products of the farm.

Since I made this statement I have discussed with top-ranking members of labor organizations more specifically what I had in mind. In industry there has been a healthy development in labor-management relations, bringing them closer together in the study of their common problems. I now believe it is time to get down to specific ways and means of increasing labor income without increasing, and probably decreasing, the costs of production. Increasing continually the hourly rates of labor does not necessarily mean any increase in real wages, for all other costs of production tend to increase proportionately. The farmer is alive to this problem and is demanding parity for prices of farm products as compared to prices of manufactured products based on labor costs.

Since it is absolutely essential that farmer, labor, and all other productive factors in our economy get together on a program to work this country out of its financial and unemployment difficulties by private initiative, we must find a common platform or ground on which farmer, labor, and management can stand. This, I believe, can be brought about by the study between labor and management of methods of incentive pay, by which savings in the costs of production, which may be brought about by increased efficiency of management and increased energy and proficiency on the part of the workers, may be divided between labor and management and also reduce the cost of their product, so that, while labor income may be increased, the cost of the product will not be increased and may be substantially decreased.

I have recommended to my labor friends that they go seriously into the question of

studying incentive pay plans, working with the employers and getting into their organizations in increasing numbers men who would be skilled in the analysis of time study labor operations in the various lines of industry. I have found considerable interest and a hearty response to these suggestions by top-ranking labor men who realize that we can accomplish much more working together for the general good of the American people. If this can be accomplished in industry, then truly we shall have done a good turn for the farmer and, in fact, for all classes of our population, for, if labor income is increased, the buying power of labor with which to purchase the products of the farm has thereby increased, and that without increasing the costs of what the farmer has to buy.

Our farmers in distress, along with all other classes, because of the losses and unemployment caused by the unnecessary depression, could not be expected to turn down the relief payments in various forms doled out by the Federal Government from taxpayers' funds. There is no doubt, however, that almost all realized that the policy was unsound and could not be continued because of the mounting public debt.

One of the most healthful signs of the present times is to see our individualistic, independent farmer back on his feet because of war-stimulated markets, voicing his emphatic protest against the policy of subsidies. No more unsound policy than subsidies was ever proposed as a substitute for a firm stand against inflationary rises in prices and in all costs.

In talking with representatives of farm organizations and with individual farmers, who are giving more thought to reestablishing their industry on the sound basis of private initiative, I find that their sentiment seems unanimous in favor of being relieved of Government controls. They, more than any other class, understand that the old law of supply and demand is one that cannot be repealed. Only under emergency conditions, when the law of supply and demand is upset because of artificial scarcities due to wars, panics, or other abnormal conditions in our economy, should the Government undertake to fix floors or ceilings under or over prices.

If we mean what we say when we talk of a free system of American enterprise, we know that that does not mean regimentation or other artificial controls continued after the period of emergency is over. The farmers believe in the self-government of their industry through their associations, cooperatives, and other farm organizations. They realize that, to have a good market for their products, there must be something approaching normal employment of labor, for these are the people who buy the products of the farm.

There is no fear in my mind but that the intelligent farm element in our population will go along with sound economic programs based on the knowledge of practical experience. Under anything approaching normal conditions the farmer is the truest example of what we mean by "independent free enterprise." He works entirely on an incentive basis. He is independent in his method of life and the ownership of his land. He takes the risks of weather, crop failures, and fluctuating markets because he believes above all in this system of free enterprise, which would be lost if regimentation and regulation were to control his activities.

The farmer is vitally interested also in the development of foreign markets for his surpluses, particularly for the dairy products of our State of Wisconsin. He is vitally concerned, too, with the development of economical methods of transportation in all lines—water, rail, and truck—so that he can get his products to market without unfair penalties and costs.

From
189

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 20, 1944, for actions of Monday, June 19, 1944)

(For staff of the Department only)

CONTENTS

A.A.A. grants in aid...8	Food distribution...41,42	Nomination.....34
Agricultural appropriation bill (individual items not indexed).....1	Food production.....14	Personnel.....6,9,45
Appropriations.....1	Foreign relief.....23	Post-war planning...19,37
2,3,22,29,31,32,33,46	Forestry.....10	Price control.....37,44
Assistant Secretaries of State.....11	Grazing.....5,36	Purchasing.....4,43
Census of agriculture...33	Health.....17	Rationing.....21
Claims.....15,22	Insect control.....16	Reconstruction Finance Corporation.....24
Conservation.....5	Irrigation.....38	Research.....47
Crop insurance.....12	Labor, farm.....13	Selective Service.....13
Disbursing officers.....35	Land acquisition.....7	Small business.....20
Farm legislation.....40	Lands, public.....18	Soil conservation.....30
Feed.....42	Latin America.....32	Sugar.....21
Flood control.....38	Loans, farm.....44	Transportation.....19
	Machinery, farm.....25	Veterans.....6,18,45
	Mail.....16	
	Minerals.....39	

HOUSE

1. AGRICULTURAL APPROPRIATION BILL. Continued action on the conference report on this bill, H.R. 4443 (pp. 6299-305, 6306-8). Agreed, 255-80, to Rep. Gillie's (Ind.) motion to recede and concur in the Senate amendment providing for reclassification of meat inspectors' and veterinarians' salaries (pp. 6299-302); to Rep. Tarver's (Ga.) motion to recede and concur in the Senate amendment providing for construction of a building at the BPI Houma (La.) station at not to exceed \$10,000 (p. 6302); 188-132, to Rep. Holmes' (Wash.) motion to recede and concur in the Senate amendment providing \$283,470 for barberry eradication (pp. 6302-5); to Rep. Tarver's motion to recede and concur in the Senate amendment with an amendment to provide a \$7,500 limitation on the cost of constructing any BA&IC building outside the D.C., and a \$500 or 2% of-the-cost limitation on the cost of alterations, whichever is greater (p. 6306); to Rep. Tarver's motion to recede and concur in the Senate amendment with an amendment to authorize expenditures of not to exceed \$1,000,000 from this appropriation for preventing and suppressing forest fires on extremely critical areas of national importance (p. 6306); to Rep. Tarver's motion to recede and concur in the Senate amendment authorizing payment of travel expenses of intermittent employees of WFA (p. 6306); To Rep. Tarver's motion to recede and concur in the Senate amendment requiring CCC to use the same method as is used for determining such parity price at the average location used in fixing the base loan rate (p. 6306); to Rep. Tarver's motion to recede and concur in the Senate amendment appropriating \$12,500,000 for incentive payments for harvesting seeds of grasses and legumes (p. 6306); to Rep. Tarver's motion to recede and concur in the Senate amendment with an amendment restoring the House language prohibiting incentive payments (with certain exception) amended so as to permit payments for harvesting seeds of grasses and legumes (p. 6306); to Rep. Tarver's motion to recede and concur in the Senate amendment providing for payments on Irish potato and commercial truck crops (p. 6306); and to Rep. Tarver's motion to recede and concur in the Senate amendment with an amendment providing \$50,000,000 for a school-lunch program (p. 6307).

Rep. Tarver requested unanimous consent for postponement of consideration of the amendments relating to the guayule rubber project, the AAA political activity prohibition (p. 6206), and the FSA l-g-r-r item (pp. 6306-8).

2. STATE, JUSTICE, AND COMMERCE APPROPRIATION BILL. Reps. Rabaut, Kerr, Hare, O'Brien, Carter, Stefan and Jones were appointed conferees on this bill H. R. 4204 (p. 6306).
3. WAR DEPARTMENT CIVIL-APPROPRIATION BILL. Received the conference report on this bill, H.R. 4183 (pp. 6291-2). Conferees had been appointed earlier in the day (p. 6265). The conference report provides \$100 (House figure; Senate, \$400,100) for flood control (general) and strikes out the Senate language with regard to the promotion of the production of agricultural commodities essential to the war effort.
4. WAR CONTRACT TERMINATION BILL. Passed, 326-21, with amendments this bill, S. 1718. Conferees were appointed. (pp. 6267-8.)
5. RANGE CONSERVATION. Rep. Rockwell, Colo., commended and described the progress of range conservation by the Grazing Service (pp. 6311-2).
6. PERSONNEL. Agreed to the Senate amendments to H.R. 4320, on the computation of interest in contributions to the civil service retirement fund returned to employees upon their separation from service (p. 6282). This bill will now be sent to the President.

Agreed to the Senate amendment with a clarifying amendment to H.R. 4292, to eliminate the necessity of paying interest on refunds of retirement deductions in the case of persons leaving the Government service after having served for not more than 1 year (p. 6281).

Discussed and on objection of Rep. Hoffman, Mich., passed over H.R. 4115, to give honorably discharged veterans, their widows, and the wives of disabled veterans, who themselves are not qualified, preference in employment where Federal funds are disbursed (p. 6281).

Passed as reported S. 1232, to provide equitable compensation for useful suggestions or inventions by personnel of the Interior Department (p. 6276).
7. LAND ACQUISITION. At the request of Rep. Cole, N.Y., passed over S. 919, to expedite the payment for land acquired during the war period (p. 6269).
8. A.A.A. GRANTS IN AID. At the request of Rep. Kean, N.J., passed over H.R. 3405 requiring compliance with State inspection laws by Federal agencies, except TV, disbursing fertilizers, feeds, nursery stock, and seeds (p. 6269).
9. ALIEN EMPLOYMENT. At the request of Rep. Kean, N.J., passed over H.R. 2908, amending Public Law 537, 77th Cong., to remove the date limitation for relieving disbursing officers, certifying officers, and payees in respect to certain payments made in contravention of appropriation restrictions regarding citizenship status (p. 6269).
10. FORESTRY. At the request of Rep. Cochran, Mo., passed over H.R. 2241, to abolish the Jackson Hole National Monument (p. 6269).
11. ASSISTANT SECRETARIES OF STATE. At the request of Rep. Harness, Ind., passed over H.R. 4311, authorizing the appointment of 2 additional Assistant Secretaries of State (p. 6270).

EXTENSION OF REMARKS

Mr. CURTIS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein two telegrams.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

CALL OF THE HOUSE

The SPEAKER. The gentleman from Ohio [Mr. MCGREGOR] and the gentleman from Pennsylvania [Mr. WRIGHT] make the point of order that there is no quorum present. Evidently there is no quorum present.

Mr. RAMSPECK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 95]

Arnold	Hagen	Murdock
Baldwin, Md.	Hale	Myers
Blackney	Hall	O'Connor
Boren	Edwin Arthur	Patman
Boykin	Hall	Peterson, Ga.
Bradley, Mich.	Leonard W.	Pfeifer
Bradley, Pa.	Harless, Ariz.	Phillips
Brumbaugh	Harris, Va.	Plumley
Buckley	Hébert	Rabaut
Burchill, N. Y.	Heffernan	Reece, Tenn.
Burdick	Heidinger	Reed, N. Y.
Cannon, Fla.	Johnson	Richards
Capozzoli	Calvin D.	Rivers
Chiperfield	Kennedy	Rooney
Cox	Keogh	Rowe
Dickstein	Kilburn	Russell
Dies	Klein	Shafer
Disney	Lane	Sheridan
Douglas	Lemke	Simpson, Pa.
Drewry	Lewis	Smith, Va.
Elmer	Luce	Stearns, N. H.
Fay	Lynch	Stewart
Ford	McCord	Summer, Ill.
Fulbright	McLean	Taylor
Fuller	McMurray	Thomas, N. J.
Furlong	Magnuson	Torrens
Gallagher	Mansfield, Tex.	Treadway
Gavin	Martin, Iowa	Wadsworth
Gibson	Morrow	White
Gifford	Miller, Mo.	Whitten
Gordon	Miller, Pa.	Woodrum, Va.
Granger	Mills	
Grant, Ind.	Morrison, N. C.	

The SPEAKER. Three hundred and thirty-six Members have answered to their names. A quorum is present.

On motion of Mr. RAMSPECK, further proceedings, under the call, were dispensed with.

HOUR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet tomorrow morning at 10 o'clock.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. McCORMACK]?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object—and I shall not object, because I appreciate it is necessary to come in early if we are to finish our business—will the gentleman tell us what the program will be?

Mr. McCORMACK. I will be glad to. The first order of business will be final action on the war contracts termination bill, after which bills on the Consent Calendar will be called. Then there are several bills that we expect may be passed by unanimous consent.

There are from two to four suspensions to be called, which will depend on what action is taken when two of the bills from the Consent Calendar are called.

Two of the bills to be called up under suspension are bills reported by the Committee on Foreign Affairs; one, H. R. 4311, authorizing the appointment of two additional Assistant Secretaries of State; the other, H. R. 4282, relating to the sale of buildings and grounds.

Then there is the civilian pilot training bill to extend an act which expires June 30, also a bill reported by the Committee on Interstate and Foreign Commerce relating to tuberculosis. After that the agricultural conference report will come up.

Mr. TARVER. Mr. Speaker, will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Georgia.

Mr. TARVER. I was advised last week that the agricultural appropriation conference report would follow immediately the calling of the Consent Calendar, and that that was a definite arrangement. I have so advised many gentlemen who are interested in that report. I am surprised to hear the gentleman say, if I understand him correctly, that action thereon has been postponed until action is had on some four or five different items of legislation.

Mr. McCORMACK. I am sure the gentleman from Georgia will appreciate the fact that it is the practice, if not the rule, that motions to suspend the rules follow the call of the Consent Calendar. In announcing this program I do not think any statement I have made is inconsistent with what the gentleman understood and what the gentleman has just stated, because the agricultural conference report will immediately follow any bill on which the Speaker recognizes a Member to move to suspend the rules.

Mr. TARVER. I think it is clearly evident from the gentleman's statement that we cannot hope to get up the conference report on the agricultural appropriation bill until late in the afternoon today, if at all, if you are going to have four or five suspensions of the rules, after the Consent Calendar is called, before you take up that report. I am wondering if it would not be better—if you are not going to take it up until late in the afternoon when there is no quorum here and when the point of no quorum may be made, and if the agreement made last week will not be carried out—that the conference report on the agricultural appropriation bill go over until tomorrow.

Mr. McCORMACK. With all due respect to the gentleman's observation about the agreement last week not being carried out, or being carried out, the gentleman from Massachusetts feels that the agreement is being carried out, and the gentleman will not enter into a dispute on that.

The SPEAKER. The gentleman from Georgia may be, and I think is, quoting a conversation he had with the present occupant of the chair. I told the gentleman that the conference report would

come up immediately after the Consent Calendar. I think I then said to him, "if there are no suspensions." At that time the Chair did not know that matters of such urgency would come up as would require suspension of the rules. The Chair does not think the gentleman will have to wait until late in the afternoon to get action.

Mr. TARVER. I am not raising any question in regard to what the leadership may determine as to the proper schedule of business of this House.

Mr. MARTIN of Massachusetts. Mr. Speaker, I withdraw my reservation of objection.

Mr. TARVER. I am simply taking the position, Mr. Speaker, that if this report is not to be reached until late in the afternoon, it ought to go over until tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

CONTRACT SETTLEMENT ACT OF 1944

The SPEAKER. When the House adjourned on last Saturday the so-called contract-termination bill had been ordered to be read a third time, and was read the third time.

The question is on the passage of the bill.

Mr. DWORSHAK. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. DWORSHAK. I am, Mr. Speaker.

The Clerk read as follows:

Mr. DWORSHAK moves to recommit the bill to the Committee on the Judiciary for further study.

The SPEAKER. The question is on the motion to recommit.

Mr. MAY. Mr. Speaker, I make the point of order that the motion to recommit comes too late. In support of that motion I desire to call the Chair's attention to the proceedings of last Saturday as set forth in the RECORD at page 6213. At that time, under the rule, the Chair announced that the third reading of the bill was in order, and I rose and was recognized for the purpose of making a motion. At that time I presented a motion to recommit, which contained a provision that the bill should be recommitted to the Committee on the Judiciary, with instructions to that committee to report the bill back forthwith with what is known as the Thomason amendment relating to the Comptroller General. The amendment was attached to the motion. The Chair at that time inquired whether or not I was opposed to the bill. I qualified to make the motion by saying that I was against the bill. I repeat that. I am still against it. I make the point of order that since under the rule only one motion to recommit is in order the motion of the gentleman from Idaho comes too late.

The SPEAKER. The gentleman from Kentucky received recognition, and he said he intended to offer a motion to recommit. The Chair asked him if he qualified as opposed to the bill, and he said he was opposed to it.

The motion to recommit was never offered. The Chair did not recognize the gentleman to offer a motion to recommit, and the gentleman from Massachusetts said that if any further proceedings were had, he would call for a quorum. The Chair sees no motion to recommit published in the RECORD, and it certainly would have been published in the RECORD if the gentleman had offered it.

Mr. MAY. Mr. Speaker, may I interrupt the Speaker, in all due respect, to call attention to the Speaker's language as of last Saturday, which reads as follows, and I quote from the RECORD:

The bill was ordered to be read a third time, and was read a third time.

Mr. MAY. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. MAY. I am, Mr. Speaker.

Mr. MARTIN of Massachusetts. Mr. Speaker, I understood the vote on the bill was going to go over until Monday. Is it not better to have the whole proceedings go over? I do not want to have to make the point of order that a quorum is not present.

The SPEAKER. The gentleman can offer his motion to recommit and have it pending.

The SPEAKER. But the gentleman did not; that is the answer. When there are Members on the minority side who qualify, the right to offer a motion to recommit passes to the minority. That is the rule.

Mr. MARTIN of Massachusetts. Mr. Speaker, I may say that at that time we had no opportunity to make the motion to recommit.

The SPEAKER. The question is on the motion to recommit.

Mr. COOPER. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The question was taken; and on a division (demanded by Mr. MAY) there were—ayes 20, noes 189.

So the motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. McCORMACK, Mr. WALTER, and Mr. MAY demanded the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 326, nays 21, not voting 83, as follows:

[Roll No. 96]

YEAS—326

Abernethy	Bender	Carrier
Allen, Ill.	Bennett, Mich.	Carson, Ohio
Allen, La.	Bennett, Mo.	Carter
Andersen,	Bishop	Case
H. Carl	Bland	Chapman
Anderson, Calif.	Bloom	Chenoweth
Anderson,	Bolton	Clark
N. Mex.	Bradley, Pa.	Clason
Andresen,	Brehm	Clevenger
August H.	Brooks	Cochran
Andrews, Ala.	Brown, Ga.	Coffee
Andrews, N. Y.	Brown, Ohio	Cole, Mo.
Angell	Bryson	Cole, N. Y.
Arends	Buck	Colmer
Auchincloss	Buffett	Compton
Baldwin, Md.	Bulwinkle	Cooley
Baldwin, N. Y.	Burch, Va.	Cooper
Barden	Burgin	Costello
Barrett	Busbey	Courtney
Barry	Butler	Crawns
Bates, Ky.	Byrne	Crawford
Bates, Mass.	Camp	Crosser
Beall	Canfield	Cunningham
Beckworth	Cannon, Mo.	Curley
Bel	Carlson, Kans.	

Curtis	Johnson, Ind.	Reed, Ill.
D'Alessandro	Johnson,	Rees, Kans.
Davis	J. Leroy	Richards
Dawson	Johnson,	Rivers
Day	Lyndon B.	Rizley
Delaney	Johnson, Ward	Robertson
Dewey	Jones	Robinson, Utah
Dilweg	Jonkman	Robson, Ky.
Dingell	Judd	Rockwell
Dirksen	Kean	Rodgers, Pa.
Dondero	Kearney	Rogers, Mass.
Doughton	Kee	Rohrbough
Eaton	Keefe	Rolph
Eberharter	Kefauver	Rowan
Elliott	Kelley	Russell
Ellis	Kerr	Sabath
Ellison, Md.	Kilday	Sadowski
Ellsworth	Kinzer	Sasscer
Elston, Ohio	Kleberg	Satterfield
Engel, Mich.	Knutson	Scanlon
Engle, Calif.	Kunkel	Schiffner
Feighan	LaFollette	Schwabe
Fellows	Lambertson	Scott
Fenton	Landis	Scrivner
Fernandez	Lanham	Sheppard
Fish	Larcade	Short
Fisher	Lea	Sikes
Fitzpatrick	LeCompte	Simpson, Ill.
Flannagan	LeFevre	Slaughter
Fogarty	Lesinski	Smith, Maine
Folger	Ludlow	Smith, Ohio
Forand	McConnell	Smith, Va.
Fulmer	McCormack	Smith, W. Va.
Gale	McCowan	Smith, Wis.
Gamble	McGehee	Snyder
Gathings	McGregor	Somers, N. Y.
Gavin	McKenzie	Sparkman
Gearhart	McMillan	Spence
Gerlach	McWilliams	Springer
Gilchrist	Maas	Stanley
Gillette	Madden	Starnes, Ala.
Gillie	Maloney	Stefan
Goodwin	Martin, Iowa	Stevenson
Gordon	Martin, Mass.	Stigler
Gore	Mason	Stockman
Gorski	Merritt	Sullivan
Graham	Michener	Sumner, Ill.
Grant, Ala.	Miller, Conn.	Summers, Tex.
Grant, Ind.	Miller, Nebr.	Sundstrom
Green	Monkiewicz	Taber
Gregory	Monroney	Talbot
Griffiths	Morrison, La.	Talle
Gross	Mott	Tarver
Gwynne	Mruk	Thomas, Tex.
Halleck	Mundt	Tibbott
Hancock	Murphy	Tolan
Hare	Murray, Tenn.	Towe
Harness, Ind.	Newsome	Troutman
Harris, Ark.	Norman	Vinson, Ga.
Hart	Norrell	Voorhis, Calif.
Hartley	Norton	Vorys, Ohio
Hays	O'Brien, Ill.	Vursell
Hébert	O'Brien, Mich.	Wadsworth
Hendricks	O'Brien, N. Y.	Walter
Herter	O'Hara	Ward
Hess	O'Neal	Wasielewski
Hill	O'Toole	Weaver
Hinshaw	Outland	Weichel, Ohio
Hobbs	Pace	Weiss
Hoch	Patton	Welch
Hoeven	Peterson, Fla.	Wene
Hoffman	Pfeifer	West
Hollfield	Philbin	Whittington
Holmes, Mass.	Phillips	Wickersham
Holmes, Wash.	Pittenger	Wigglesworth
Hope	Ploeser	Willey
Horan	Poulson	Wilson
Howell	Powers	Winstead
Jackson	Pracht	Winter
Jarman	C. Frederick	Wolcott
Jeffrey	Price	Wolfenden, Pa.
Jenkins	Priest	Wolverton, N. J.
Jennings	Ramey	Woodruff, Mich.
Jensen	Ramspeck	Worley
Johnson,	Randolph	Wright
Anton J.	Rankin	Zimmerman

NAYS—21

Bonner	Johnson, Okla.	Murray, Wis.
Durham	King	O'Konski
Dworshak	Kirwan	Poage
Gossett	Mahon	Sauthoff
Hull	Manasco	Thomason
Izac	Mansfield,	Vincent, Ky.
Johnson,	Mont.	Welchel, Ga.
Luther A.	May	

NOT VOTING—83

Arnold	Burchill, N. Y.	Dickstein
Blackney	Burdick	Dies
Boren	Cannon, Fla.	Disney
Boykin	Capozzoli	Douglas
Bradley, Mich.	Celler	Drewry
Brumbaugh	Chipherfield	Elmer
Buckley	Cox	Fay

Ford	Keogh	Patman
Fulbright	Kilburn	Peterson, Ga.
Fuller	Klein	Plumley
Furlong	Lane	Pratt,
Gallagher	Lemke	Joseph M.
Gibson	Lewis	Rabaut
Gifford	Luce	Reece, Tenn.
Gillespie	Lynch	Reed, N. Y.
Granger	McCord	Rooney
Hagen	McLean	Rowe
Hale	McMurray	Shafer
Hall,	Magnuson	Sheridan
Edwin Arthur	Mansfield, Tex.	Simpson, Pa.
Hall,	Marcantonio	Stearns, N. H.
Leonard W.	Morrow	Stewart
Harless, Ariz.	Miller, Mo.	Taylor
Harris, Va.	Miller, Pa.	Thomas, N. J.
Heffernan	Mills	Torrens
Heidinger	Morrison, N. C.	Treadway
Johnson,	Murdock	White
Calvin D.	Myers	Whitten
Kennedy	O'Connor	Woodrum, Va.

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Taylor for, with Mr. Burdick against.

General pairs:

Mr. Woodrum of Virginia with Mr. Reed of New York.

Mr. Keogh with Mr. Miller of Missouri.

Mr. Peterson of Georgia with Mr. Plumley.

Mr. Whitten with Mr. Elmer.

Mr. Kennedy with Mr. Kilburn.

Mr. Rabaut with Mr. Treadway.

Mr. Buckley with Mr. Arnold.

Mr. Drewry with Mr. Calvin D. Johnson.

Mr. Heffernan with Mr. Rowe.

Mr. Mansfield of Texas with Mr. Lewis.

Mr. Celler with Mr. Shafer.

Mr. Lane with Mr. Hale.

Mr. Lynch with Mr. Blackney.

Mr. Harless of Arizona with Mr. Fuller.

Mr. Fay with Mr. Simpson of Pennsylvania.

Mr. Fulbright with Mr. Merrow.

Mr. Klein with Mr. Gifford.

Mr. Mills with Mrs. Luce.

Mr. Capozzoli with Mr. Thomas of New Jersey.

Mr. McCord with Mr. Miller of Pennsylvania.

Mr. Dickstein with Mr. Douglas.

Mr. McMurray with Mr. Gallagher.

Mr. Burchill of New York with Mr. Edwin Arthur Hall.

Mr. Sheridan with Mr. Bradley of Michigan.

Mr. Torrens with Mr. Lemke.

Mr. Boykin with Mr. McLean.

Mr. Rooney with Mr. Heidinger.

Mr. Cannon of Florida with Mr. Stearns of New Hampshire.

Mr. Gibson with Mr. Leonard W. Hall.

Mr. Cox with Mr. Chipfield.

Mr. Magnuson with Mr. Brumbaugh.

Mr. Disney with Mr. Gillespie.

Mr. Myers with Mr. Joseph M. Pratt.

Mr. Boren with Mr. Hagen.

Mr. Murdock with Mr. Marcantonio.

Mr. FULMER changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. SUMNERS of Texas. Mr. Speaker, I move that the House insist upon its amendment to the Senate bill and ask for a conference with the Senate.

The motion was agreed to; and the Chair appointed the following conferees: Mr. SUMNERS of Texas, Mr. WALTER, Mr. KEFAUVER, Mr. HANCOCK, and Mr. GWYNNE.

GENERAL LEAVE TO EXTEND

Mr. SUMNERS of Texas. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days

Appendix

Chester Bowles on Post-war Office of Price Administration

EXTENSION OF REMARKS OF

HON. CARL HINSHAW
OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. HINSHAW. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following letter from Chester Bowles to the New York Times on post-war price policies:

[From the New York Times of June 18, 1944]

POST-WAR PRICE POLICIES—FLEXIBLE RECONVERSION CONTROL IS HELD NECESSARY

TO THE EDITOR OF THE NEW YORK TIMES:

I must express my appreciation of your recent editorials concerning extension by Congress of the Emergency Price Control Act. I am confident that this country will never abandon price stabilization and embark on an inflationary course with its eyes open. The danger that it would make this decision with its eyes closed has been significantly diminished by your stand.

In the editorial of June 6 you expressed some concern about the problem of reconversion pricing; that is, the pricing of peacetime products which will become necessary as plants are converted to peacetime use. You are fearful that a policy of tight pricing by the O. P. A. might, on many products, seriously hamper the resumption of peacetime production.

During the past 2 years our primary attention has necessarily been given to current pricing problems. We have also, however, considered at great length the problems of price control that will emerge during the reconversion period, problems that must be solved wisely if our economy is to make a smooth transition from war to peace. Although it has been impossible to prepare an exact blueprint, I think we know pretty well the general principles along which our future pricing policies must develop.

MUST CHECK INFLATION

Our first objective obviously must be to continue to hold inflation in check. Both in the months which lie directly ahead of us and in the months of reconversion which follow we must see that the general price level does not get out of hand. We will be wise not to forget the fact that 40 percent of the inflation during the period of World War No. 1 actually occurred after the armistice. The price rise did not reach its peak until May 1920—18 months after the guns ceased firing in Europe.

War Production Board officials have stated that reconversion on any major scale will be impossible until after the defeat of Germany. This means that our present manpower shortage and the general shortage of goods will continue to cause heavy pressures on the present price level until after the European armistice.

It seems essential to me that this pressure be met and the present price levels maintained. This will require a continuation of tight pricing in the immediate future.

RECONVERSION PROBLEM

When reconversion really begins in earnest, however, we will be confronted with a quite different situation. Billions of dollars of Government war contracts will be eliminated. Purchasing power will begin to drop. A return to a normal work week averaging 40 hours will itself through the elimination of overtime, cut purchasing power by \$12,000,000,000 a year. This reduction of twelve billions is wholly apart from any changes in current levels of employment and wage rates or from current concentration in the heavy and high-wage industries.

If we are to avoid a serious dislocation of our economy it is obvious that our pricing policies during this difficult reconversion period will call for skillful handling. Our pricing policies must be designed to encourage the fullest possible employment and quick transition to full peacetime production. If we are to avoid a further dangerous drop in producing power they must also encourage the continuation of high hourly wage rates.

As quickly as supply in each field now covered by price control comes in line with demand, price ceilings must be eliminated. In the final analysis, it is only through adequate supplies that we can hope to eliminate the forces which seek to push prices upward.

PRICE-CEILING ADJUSTMENT

There are, however, many industries in which, during the reconversion period, price ceilings must be adjusted upward. For example, there are many industries whose peacetime goods have been out of production for 2 years or longer. In many cases these goods cannot profitably be brought back into production at the same prices which prevailed in 1941 or 1942. Costs have not stood still and prices cannot ignore the movement of costs. If we were to insist upon holding to the prices of 1941 or 1942 for these goods there is no question but that production would be hampered, unemployment increased, and wages rates lowered. This is a relatively simple case and one in which there would be no question on the part of O. P. A. as to how we should proceed.

Let me take a somewhat more difficult case. There are many industries which are operating today under very favorable profit conditions, largely because of the war business they receive. The wide margins on these war items enable these industries to operate with low margins on civilian goods. Sometime or other these industries must convert back to peacetime production. When they lose their profitable wartime output, prices of their civilian-type items must be increased. If this is not done the result will be powerful deflationary pressure upon wages and upon prices of the raw materials purchased by these industries.

In this case, too, our position is quite clear. There will, of course, be some question as to exactly when the adjustments must be made and just how much prices are to be increased. But when the time comes we must move to adjust prices where necessary and to avoid bringing positive deflationary pressure to bear upon prices and wages.

In other words, our price policy in the reconversion period must be a flexible policy which will foster full production and full employment at high wage rates. It is our hope that during this period our basic supplies of food and textiles will be sufficient to allow us to remove ceilings on these items with reasonable speed without resulting in-

creases in the retail prices. It is also our hope that with increased building construction and the gradual redistribution of war workers it will be possible for us to eliminate rent control, area by area, as tenant vacancies begin to increase.

There are certain areas in our economy, however, where inflation will continue to be a serious threat. I am thinking of consumer durables, such as vacuum cleaners, washing machines, and automobiles, where supplies for a considerable period will be running far behind. If price controls are removed too quickly from these items we would soon see a repetition of the dangerous inflationary boom that we experienced in 1919, perhaps on a far greater scale. I am also thinking of the building industry, where millions of citizens with substantial savings accounts will be only too willing to bid high for the materials and the equipment to create the homes to which they have long looked forward. In other words, I see in this period a system of selective price control in certain areas, with relatively rapidly decreasing controls on easy-to-produce consumer items and on rent.

MASS PRODUCTION NEEDED

There is one final principle involved in our reconversion and post-war pricing problem which lies very close to my heart. During the war our economy has demonstrated more convincingly than it ever did in times of peace how magnificently it can mass produce. It is a primary and fundamental requirement of this characteristic of our economy that industry price its output low enough to tap mass markets, for it is only these markets that can keep our vast productive capacity in operation.

Unless industry follows this policy vigorously there is very little prospect of maintaining the level of national income and production whatever we may do in other directions.

This will take courage and vision on the part of industry, but it is utterly essential. If industry as a whole or any significant industrial sector is going once again to price on the basis of breaking even at 50 percent of capacity, we are going to find ourselves operating at just about 50 percent of capacity. I think we are all agreed that that is an intolerable condition and one which the country will never accept. But, in my opinion, if industry is to recognize this fundamental requirement and is to price for mass markets and full production, there must be firm guarantees provided that the bottom will not be permitted to drop out of the price and wage structure. I hope those guarantees will be forthcoming.

What I have said falls far short of a blueprint, but I believe the principles themselves are clear and that they will be widely accepted. We must continue to seek stabilization of the general price level. But this does not mean stabilization of every individual price. There must be flexibility in the price structure.

Today, I believe, the price level as a whole is in reasonable balance with costs. If this balance is maintained during the reconversion and post-war periods, production can go forward on a profitable basis. This is what we have been seeking all through the war years, and in achieving it I think we have helped to lay the basis for a sound economy in the years that lie ahead.

CHESTER BOWLES.

WASHINGTON, D. C., June 12, 1944.

Contract Settlement Act of 1944

SPEECH
OF

HON. ROBERT L. F. SIKES

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Saturday, June 17, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill (S. 1718) to provide for the settlement of claims arising from termination of war contracts, and for other purposes.

The CHAIRMAN. The Chair recognizes the gentleman from Florida [Mr. SIKES].

Mr. SIKES. Mr. Chairman, the first bill that was placed before a committee of Congress on the subject of contract termination came from the War Department to the Committee on Military Affairs, and it consisted of 16 lines. In substance, that bill said that notwithstanding any other provision of law, the Secretary of War should have the right to deal with contract terminations as he saw fit. Substantially that is the bill that is before you today. A great many words have been added. A great many provisions have been written into the bill. I want it understood that I do not question the motives of any person who helped write the bill that is now before us. All of us here today are trying to prepare a speedy and simple method of terminating contracts. We know that reconversion of American industry to peacetime pursuits at the earliest moment following the war may mean the difference between depression and sound economy. But the fact remains that in substance, in the bill now before us, the heads of the various departments shall have the power to deal with contract terminations as they see fit, notwithstanding any other provision of law. I fail to see the wisdom or the necessity for such a broad grant of power.

Under this bill the contracting officer as the agent of his respective departmental head is all-powerful. He is accountable only for fraud, something very difficult to establish in the courts under any circumstances, something almost impossible to establish under the abbreviated type of reports which are now being filed with the Comptroller, and which presumably will continue to be filed with him if this legislation is adopted. In the words of the Comptroller General, a 10-year-old boy can complete his check on this abbreviated report in 10 seconds and have nothing when he gets through with it. That is what we are proposing to continue in effect. It has been said here that the contracting officers placed the contracts, that they did so effectively, that they are familiar with the contracts, and therefore should terminate them. Yes, we used contracting officers to award these contracts, and under what conditions were they awarded? We were under the stimulus of necessity to provide material of war. The contracting officers went out and found facilities for

manufacturing war equipment wherever they could. They said to the operators of those plants, "You must make goods for the war effort. Expand your facilities all that conditions will permit. Turn out all the goods you can. Never mind the cost. The Government will reimburse you for all costs and assure you of a profit in addition." That is what happened. The contracting officers were given a job to do and they did it, and in the process they became neither supermen nor suspects, both of which they have been portrayed here today.

It would be ridiculous to say that contracting officers are not to be trusted to terminate contracts. The very great majority of them have done good work under trying conditions and they will continue to do so under whatever legislation this Congress enacts. But some men are weak, whether they are contracting officers or contractors. Why should not there be safeguards; first, for the protection of the taxpayers, the people of this country, and next for the protection of the good names of the great majority of contracting officers and contractors themselves? We are dealing with billions upon billions of dollars. It represents the hard-earned tax money of generations to come. We shall be derelict in our duty if we do not provide safeguards for this extremely important process. There is no simpler or more direct way of providing safeguards in the process of contract termination than by making the Comptroller General a party to it. Our amendment does simply that. It does not mean delay. We have heard about delays, delays, delays. The ruinous effects of delays in termination settlements has been the theme song of those who seek the defeat of our amendment. But no one has produced actual evidence to show that here will be delays if the Comptroller is made a party to the process. We have had many words, but no proof. The Comptroller General says there will be no delays.

Actually there need be no delays. Let us look at the machinery of contract-termination settlements. Someone must examine the records of every contractor. Presumably the contracting agent and the contractor both will do so. If the agent of the Comptroller is permitted to sit in as contract settlements are being negotiated, or to spot-check at will, he will have ample opportunity for preaudit checks at the same time the settlements are agreed to between the contracting officer and the manufacturer. There may be some saving of personnel if the Comptroller is eliminated from the picture. I am not sure of it, for in my experience, Government agencies hire everybody in sight regardless of which one is to do the job. At present I understand that thousands of men are being taken from the armed forces for training by the War Department for contract-termination work in addition to the employment of civilians.

Mr. BROOKS. Will the gentleman yield?

Mr. SIKES. I yield.

Mr. BROOKS. Under the terms of that bill if he does not adjudicate it in

6 months it becomes final anyway, and payment is made.

Mr. SIKES. That is correct. I want the Comptroller in this picture because he can insure needed safeguards. I see nothing in our amendment which necessarily means delays.

Mr. MAY. Will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Florida [Mr. SIKES] has expired.

Mr. SIKES. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Termination of War Contracts

SPEECH
OF

HON. EARL C. MICHENER

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 15, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. MICHENER. Mr. Chairman, the able gentleman from Mississippi [Mr. COLMER], the chairman of the House Special Committee on Post-war Economic Policy, has just stated that he does not have a single war contract in his district and, therefore, is entirely free from local pressure in the consideration of this legislation. I am sure that local interest would not swerve the gentleman from Mississippi against what he believed to be for the best interest of the country. As chairman of his special committee, he has given great study to this whole problem and the fact that he is supporting this bill 100 percent is proof, not only of his statesmanship, but also of the merits of the legislation.

Mr. Chairman, I am just in receipt of a telegram from one of my leading constituents which reads as follows:

Early passage of Walter contract-termination bill vitally essential to Michigan industry. Michigan, as you know, has more war contracts than any other State. Ninety-six percent of our industries has been converted to war. This legislation must be passed soon to avoid a lot of unemployment complications. I am sure you already know the importance of this measure to Michigan. The manufacturers of Michigan beseech your support.

It will, therefore, be observed that the people in my State are vitally interested in speedy war contract termination. When it is realized that approximately one-half of the total goods and services produced at the current high rate of production are for war purposes, and that about two-thirds of all persons now employed in manufacturing are engaged in war work, the over-all picture of the importance of this problem is presented.

The volume of our war production from July 1940 to the end of 1944 will

total about \$205,000,000,000, of which \$130,000,000,000 represents the production completed by the end of 1943, and \$75,000,000,000 is scheduled for completion in 1944. The number of prime contractors is somewhere between 100,000 and 250,000. The survey made in September 1943 showed that there were 105,000 contracts for \$50,000 or more held by approximately 17,000 establishments and another 100,000 smaller contractors. The number of subcontracts is very large and is undoubtedly well over a million, and this includes at least 70,000 establishments, large and small.

I give these figures so that you will have some idea of the enormity of our problem.

Now, this war is going to be over some of these days and when an almost complete economy must be immediately changed from war production to peacetime production the necessity for action now is apparent. Yes, there will be difficulties regardless of any law passed or any action taken by the departments. We can only seek to reduce those difficulties to the minimum. Time is of the essence, and speed is essential if we are to avoid the business stagnation, the unemployment, and everything incident thereto which is found to follow when war contractors are directed to proceed no further with the contracts. When those notices are given by the Government chaos will prevail unless the contractors—and especially the smaller ones, including the subcontractors and all down the line—are able to settle with the Government and with the prime contractors and know just where they stand financially.

This bill aims to alleviate this situation and, in my judgment, will be most helpful. I wish it were possible for every one of you to visit just a few of Michigan's great peacetime automobile plants and see the change. All the old machinery is gone, the assembly lines have vanished, and in their place is equipment for the manufacture of war airplanes, tanks, and other implements of war. Hundreds of thousands of people are working night and day in the war industries, and just the minute word comes from Washington that this production is to cease, these plants will be idle, people will be unemployed, and a great depression is bound to settle upon the country until peacetime economy is resumed. The one purpose of this bill is to make such condition impossible and to shorten to the limit that period of dislocation that is bound to come.

Mr. Chairman, unless reconversion is accomplished speedily and with finality, we will have the longest bread lines in our history.

Numerous illustrations have been given throughout this debate to show the difficulty in terminating these contracts. To make the nature of the problem perfectly clear, I would like to make use of a very simple illustration.

When termination occurs, the Government and the contractor will find themselves in somewhat the following situation:

Let us suppose that you had contracted for the erection of a 10-story building and that when 5 stories had been more

or less completed you were to tell the general contractor to stop work. You would then have to come to some agreement with him as to fair compensation for what he had done, for the materials on hand and ordered in anticipation of complete performance, and for the obligations which he had incurred to his various subcontractors and suppliers. He in turn would have to come to an agreement with his various subcontractors who had undertaken to supply the steel, the masonry, the plumbing, the heating, the lighting, the air conditioning, the woodwork, and the hundreds and perhaps thousands of other items entering into the construction of such a building. Perhaps there would be 100 or perhaps 200 subcontractors and suppliers. A settlement would have to be made with each one of these.

In arriving at these settlements, agreements would be entered into for the retention of some of the material and parts which the contractor might be able to use in his regular business and which he might be willing to retain and credit upon his claim at some agreed price; agreements for the sale of some of the material to others at a price which you, the owner, would approve; agreements that some of the material should be scrapped and the salvage value applied in the reduction of the contractor's claim; and agreements as to what parts should be turned over to you, the owner. And similar agreements would have to be entered into with subcontractors and suppliers all down the line.

Now suppose that you had contracted for a million such buildings and you were to stop work under all these contracts at different stages of completion. You would then be in a situation similar to that of the Government upon a general termination of war contracts. A similar series of settlements will have to be made with war contractors and suppliers doing over one-half of all the business of the country.

I think we are all pretty well agreed as to the objective and the efficacy of the bill. There is apparent disagreement as to the agency to be charged with the responsibility of settling these contracts. The real crux of the argument seems to be whether the Comptroller General should be required to audit all contracts and subcontracts ad infinitum before a final settlement can be had and before any of the contracts know just where they stand. The Comptroller General is a most estimable gentleman. He always does a good job, and if given these additional burdens would do a job limited only by his facilities and time. The answer is that his facilities are inadequate and that we do not want to let Rome burn while a bunch of bookkeepers and auditors fiddle over the small details in connection with these contracts.

Yes; there may be some mistakes made. There may be some unwarranted profits allowed on some of these contracts. This bill, however, places a very stiff penalty on fraud or wrongdoing on the part of the contractors in connection with the settlements. Then, we must not forget that after the settlement, the contractor is again visited by the Government tax collector and the rates are

so high, and the rules and regulations so rigid, that it is just going to be impossible for these war contractors to get away with profits as was done after the last war. There are dishonest people in the world; yet, by and large, most of our contractors are honest, honorable men. This is a case where, if post-war economic catastrophe is to be prevented, we must trust somebody. This bill places limitations, standards, and guides, around these settlements, and with the fraud penalties, I have little worry about great loss on the part of the Government. Undoubtedly the Comptroller General, if given years to check up, will find some unintentional mistakes of a minor nature. However, we must not here today adopt a penny-wise, pound-foolish policy.

There is no partisan controversy here, no conflict between different branches of the Government. There must be a combined, unified cooperative effort to bring about this reconversion at the earliest possible time, and in the soundest and most practical way. While this bill is far from perfect, yet it has had unlimited study and has the recommendation of the business interests of the country, several House and Senate committees, and such disinterested students in matters of this kind as Messrs. Baruch and Hanco k.

Mr. Chairman, I am pleased to support this bill as reported by the committee with no crippling amendments. If the results contemplated are accomplished, the people will in the end rise up to thank us. On the other hand, if we quibble and hesitate and the bread lines come, and the unemployed walk the streets, and the manufacturers go bankrupt, we will be justly condemned. The Congress is thinking about taking a short recess and I want the record to show that I consider this legislation so vital that I shall protest against any recess until contract termination has cleared the House and the Senate and been placed on the President's desk for his signature. That is what the country wants. That's what it has a right to expect of us.

Analysis of Vote in General Election of 1940

EXTENSION OF REMARKS OF

HON. HARRY SAUTHOFF

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. SAUTHOFF. Mr. Speaker, the following material was prepared by W. L. Forrest, of Madison, Wis., and, at his request, I am inserting it in the RECORD:

The material for this analysis was taken from the Congressional Directory of January 1943 and the material dealing with the vote cast in the general election of 1940.

The columns under No. 1 show the standing of each State based upon the number of Congressmen elected, population, and vote cast. The columns under No. 2 show the standing of each based upon the total vote

cast in each State and the unfair representation in Congress by the poll-tax States.

NUMBER 1

States	Congressmen	Population	Votes
1. New York	45	13,479,142	6,093,202
2. Pennsylvania	34	9,900,180	4,003,590
3. Illinois	27	7,897,241	4,008,860
4. Ohio	24	6,901,612	3,068,195
5. Texas ¹	21	6,414,824	1,019,417
6. California	20	6,907,387	2,714,754
7. Michigan	17	5,256,106	1,986,752
8. Massachusetts	15	4,316,721	1,964,538
9. New Jersey	14	4,160,165	1,802,396
10. Missouri	12	3,784,664	1,816,729
11. North Carolina	12	3,571,623	797,655
12. Indiana	13	3,427,796	1,761,624
13. Wisconsin	10	3,137,587	1,268,593
14. Georgia ¹	10	3,127,723	271,523
15. Tennessee ¹	10	3,125,841	417,157
16. Kentucky	9	2,845,627	890,898
17. Alabama ¹	9	2,832,961	267,145
18. Minnesota	9	2,792,300	1,205,754
19. Virginia ¹	9	2,677,773	316,576
20. Iowa	9	2,538,268	1,114,963
21. Oklahoma	9	2,336,434	766,041
22. Louisiana	8	2,363,880	321,044
23. Mississippi ¹	7	2,183,796	146,219
24. Arkansas	7	1,949,387	208,890
25. Kansas	7	1,801,028	787,652
26. West Virginia	6	1,901,974	870,115
27. South Carolina ¹	6	1,899,804	99,672
28. Maryland	6	1,821,244	586,418
29. Washington	6	1,738,191	744,286
30. Connecticut	6	1,709,242	780,646
31. Florida	5	1,897,414	380,252
32. Nebraska	5	1,315,834	575,316
33. Colorado	4	1,123,296	522,815
34. Oregon	4	1,089,684	461,902
35. Maine	3	847,226	246,673
36. Rhode Island	2	713,346	314,023
37. South Dakota	2	642,961	298,551
38. North Dakota	2	641,935	211,889
39. Montana	2	559,456	237,975
40. Utah	2	550,310	246,881
41. Idaho	2	525,873	231,636
42. New Hampshire	2	491,524	218,208
43. New Mexico	1	531,818	182,057
44. Arizona	1	499,261	139,784
45. Vermont	1	359,231	140,477
46. Delaware	1	266,505	134,778
47. Wyoming	1	250,742	106,888
48. Nevada	1	110,247	50,746

NUMBER 2

1. New York	45	6,093,202	13,479,142
2. Illinois	27	4,008,860	7,897,241
3. Pennsylvania	34	4,003,590	9,900,180
4. Ohio	24	3,068,195	6,901,612
5. California	20	2,714,754	6,907,387
6. Michigan	17	1,986,752	5,256,106
7. Massachusetts	15	1,964,538	4,316,721
8. New Jersey	14	1,802,396	4,160,165
9. Missouri	12	1,816,729	3,784,664
10. Indiana	13	1,761,624	3,427,796
11. Wisconsin	10	1,268,593	3,137,587
12. Minnesota	9	1,205,754	2,792,300
13. Iowa	9	1,114,963	2,538,268
14. Texas ¹	21	1,019,417	6,414,824
15. Kentucky	9	890,898	2,845,627
16. West Virginia	6	870,115	1,901,974
17. North Carolina	12	797,655	3,571,623
18. Kansas	7	787,652	1,801,028
19. Connecticut	6	780,646	1,709,242
20. Oklahoma	9	766,041	2,336,434
21. Washington	6	744,286	1,736,191
22. Maryland	6	586,418	1,821,244
23. Nebraska	5	575,316	1,315,296
24. Colorado	4	522,815	1,123,296
25. Oregon	4	461,902	1,089,684
26. Tennessee ¹	10	417,157	2,915,841
27. Florida	5	380,252	1,897,414
28. Louisiana	8	321,044	2,363,880
29. Virginia ¹	9	316,576	2,677,773
30. Rhode Island	2	314,023	713,346
31. South Dakota	2	298,551	624,961
32. Georgia ¹	10	271,523	3,127,723
33. Alabama ¹	9	267,145	2,832,961
34. Utah	2	246,881	550,310
35. Maine	3	246,673	847,226
36. Montana	2	237,975	559,456
37. Idaho	2	231,636	524,873
38. New Hampshire	2	218,208	491,524
39. North Dakota	2	211,889	641,935
40. Arkansas	7	208,890	1,949,387
41. New Mexico	1	182,057	531,818
42. Mississippi ¹	7	146,219	2,183,796
43. Vermont	1	140,477	359,231
44. Arizona	1	139,784	499,261
45. Delaware	1	134,778	266,505
46. Wyoming	1	106,888	250,742
47. South Carolina ¹	6	99,672	1,899,804
48. Nevada	1	50,746	110,247

¹ Poll-tax States.

Texas drops from fifth place to fourteenth; Georgia from fourteenth to thirty-second; Tennessee from fifteenth to twenty-sixth; Alabama from seventeenth to thirty-third; Virginia, nineteenth to twenty-ninth; Mississippi, twenty-third to forty-second; Arkansas, twenty-fourth to fortieth; South Carolina, twenty-seventh to forty-seventh.

The material for this analysis was taken from the Congressional Directory of January 1943, and is based upon the votes cast in the general election of 1940 for Congressmen from congressional districts in various States.

For this group comparison, the 8 poll-tax States, with their 79 congressional Representatives, is the first consideration, then the vote cast by each and the total vote cast by the group. The population is secondary.

Poll-tax States

GROUP 1

States	Congressmen	1940 vote by States	Population
Texas	21	1,019,417	6,414,824
Georgia	10	271,523	3,123,723
Tennessee	10	417,157	2,915,841
Alabama	9	267,145	2,832,961
Virginia	9	316,576	2,657,773
Mississippi	7	146,219	2,183,796
Arkansas	7	208,890	1,949,387
South Carolina	6	99,672	1,899,804
Total	79	2,746,599	23,998,109

GROUP 2

States	Congressmen	1940 vote by States	Population
New York	45	6,093,202	13,479,142
Massachusetts	15	1,964,538	4,316,721
Connecticut	6	780,646	1,709,242
Florida	5	380,252	1,897,414
Maine	3	246,673	847,226
Rhode Island	2	314,023	713,346
New Hampshire	2	218,208	491,524
Vermont	1	140,477	359,231
Total	79	10,138,017	23,813,846

GROUP 3

States	Congressmen	1940 vote by States	Population
Pennsylvania	34	4,003,590	9,900,180
Ohio	24	3,065,195	6,907,612
New Jersey	14	1,802,396	4,160,165
Maryland	6	586,418	1,821,244
Delaware	1	134,778	266,505
Total	79	9,655,377	23,055,706

GROUP 4

States	Congressmen	1940 vote by States	Population
Illinois	27	4,008,860	7,897,241
Michigan	17	1,986,752	5,256,106
Missouri	13	1,816,729	3,784,664
Indiana	12	1,761,624	3,427,796
Wisconsin	10	1,268,593	3,137,587
Total	79	10,842,558	23,503,394

GROUP 5

States	Congressmen	1940 vote by States	Population
California	20	2,714,754	6,907,387
Minnesota	9	1,205,754	2,792,300
Iowa	9	1,114,963	2,538,268
Oklahoma	9	766,041	2,336,434
Washington	6	744,286	1,736,191
Nebraska	5	575,316	1,315,834
Colorado	4	522,815	1,123,296
Oregon	4	461,902	1,089,684
South Dakota	2	298,551	624,961
Utah	2	246,881	550,310
Montana	2	237,975	559,456
Idaho	2	231,636	524,873
North Dakota	2	211,889	641,935
New Mexico	1	182,057	531,818
Arizona	1	139,784	499,261
Wyoming	1	106,888	250,742
Nevada	1	50,746	110,247
Total	79	9,810,638	24,150,897

The remaining 5 States have only 42 Congressmen, but let us compare the vote cast.

Poll-tax States

GROUP 6

States	Congressmen	1940 vote by States	Population
North Carolina	12	797,655	3,571,623
Kentucky	9	890,898	2,845,627
Louisiana	8	321,044	2,363,880
Kansas	7	787,652	1,801,028
West Virginia	6	870,115	1,901,974
Total	42	3,667,364	12,484,132

The two top States that have the largest block of Members in Congress and the largest population:

Poll-tax States

GROUP 7

State	Congressmen	1940 vote by States	Population
New York	45	6,093,202	13,479,142
Pennsylvania	34	4,003,590	9,900,180
Total	79	10,096,792	23,379,322

We have heard a lot of talk about minority representation for minority groups in our Nation and if you will compare the various States and the group of States with the poll-tax States on the basis of the votes cast in the general election of 1940 you will find that the minority voters of the several States have representation in a very big way.

The repeal of the poll-tax law will be a step in the right direction but not the solution of the small vote cast in the elections.

I would like to offer a few suggestions that would help to improve our understanding of political democracy and our complicated election machinery. (1) Amend the provision of congressional representation and instead of using the population of the State as the basis, use the vote cast for Congressmen in the Presidential election year as the basis for State representation in Congress; (2) reduce the age of voting to 18; (3) simplify our election ballots by confining the election to legislative, executive, and judiciary; (4) by State law make it a mandate upon all public and private grade and high schools to teach political democracy in the schools and upon each election day there shall be created from and by the school children the complete election machinery as used in the adult elections, and that each city or county furnish to each school district duplicated ballots to be used by the school only and to be so marked and printed on paper different in color as a safeguard.

By and through our school we should be able to teach the children of this Nation the value of safeguarding the privilege of political democracy.

Food Distribution by Food-Stamp Plan and Direct Distribution

EXTENSION OF REMARKS

OF

HON. REID F. MURRAY

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. MURRAY of Wisconsin. Mr. Speaker, the following is the official table No. 603, page 521 of the 1943 Agricultural Statistics:

TABLE 603.—Estimates quantities and Federal cost of food distribution through the food-stamp and direct-distribution programs, fiscal year ended June 30, 1942

Commodity	Unit	Food-stamp plan		Direct distribution ¹		Total	
		Quantity	Cost	Quantity	Cost	Quantity	Cost
		Thousands	1,000 dollars	Thousands	1,000 dollars	Thousands	1,000 dollars
Butter.....	Pound.....	24,919	10,246	6,194	2,134	31,113	12,380
Eggs.....	Dozen ²	58,805	20,176	14,480	4,455	73,285	24,631
Dried skim milk.....	Pound.....			3,341	409	3,341	409
Evaporated milk.....	Pound.....			35,555	2,604	35,555	2,604
Frozen egg yolks.....	Pound.....			1,387	524	1,387	524
Cheese.....	Pound.....			35	9	35	9
Flour.....	Pound.....	416,886	17,442	241,820	6,000	658,706	23,442
Other cereals.....	Pound.....	121,963	4,292	162,309	3,748	284,272	8,040
Dry beans.....	Pound.....	75,074	6,119	54,106	2,957	129,180	8,416
Irish potatoes.....	Bushel ³	6,325	8,728	1,346	2,927	7,671	9,685
Other fresh vegetables.....	Pound.....	374,515	15,323	77,049	1,150	451,564	16,473
Fresh fruits.....	Pound.....	168,052	6,603	271,004	7,221	439,056	13,824
Dried fruits.....	Pound.....	29,108	2,908	61,802	2,935	90,910	5,843
Oranges and grapefruit.....	Box ⁴	2,424	8,015	1,284	2,359	3,708	10,374
Grapefruit juice.....	Pound.....			35,372	1,300	35,372	1,300
Canned fruits.....	Pound.....			10,946	735	10,946	735
Pork lard.....	Pound.....	7,041	885	24,336	2,443	31,377	3,328
Pork.....	Pound.....	47,156	10,813	15,894	1,845	63,050	12,658
Other meats and fish.....	Pound.....			663	139	663	139
Miscellaneous.....	Pound.....	140	22	12,145	2,046	12,285	2,068
Canned vegetables.....	Pound.....			57,586	2,695	57,586	2,695
Total 1941-42 ⁵	Pound.....	1,926,482	111,572	1,276,744	48,005	3,203,226	159,577
1940-41.....	Pound.....	1,372,050	82,816	2,509,839	79,803	3,881,889	162,619
1939-40.....	Pound.....	229,190	16,413	1,787,794	61,642	2,016,984	78,055
1938-39.....	Pound.....	1,457	125	1,964,806	67,589	1,966,263	67,714
1937-38.....	Pound.....			1,045,065	35,950	1,045,065	35,950
1936-37.....	Pound.....			621,381	21,376	621,381	21,376
1935-36.....	Pound.....			930,705	32,016	930,705	32,016

¹ School lunch distribution included.² Eggs, estimated weight 1.5 pounds per dozen.³ Irish potatoes, estimated weight 60 pounds per bushel.⁴ Citrus fruits, estimated weight 80 pounds per box.⁵ Total includes all commodities reduced to pounds; conversion-factors are shown in footnotes 2, 3, and 4.⁶ Estimated cost.

Source: Food Distribution Administration.

There has always been an effort to mislead the farmer into thinking that this plan was a method of disposing of his surplus. The amounts of food involved by this method of distribution has been insignificant when compared to the total United States production, and also when compared to imports of agricultural products. Without going into the merits, demerits, or needs of such a program, I wish to call your attention to the fact that the economic conditions of the people do not appear to be factors taken into consideration. Part of this program has been used intentionally or unintentionally to depress farm prices. When the first Price Control Act was under consideration Milo Perkins, chief food distributor of that period, said in answer to a question propounded by Representative MERLIN HULL of Wisconsin, that they bought butter at the cheap summer prices, and put it on the market when it got up toward 30 cents per pound. This 30 cents per pound was below cost and the result was that butter prices were adversely affected during the entire year. It has always appeared to me that it did not make sense having one agency of this administration giving out Federal checks to farmers as parity payments because the products did not bring enough in the market place and then see another agency of the same administration carrying on bucketshop operations with the farmers' surplus and really preventing the farm products from reaching the much acclaimed goal of parity in the market place. I also again remind you that thousands upon thousands of farmers lost their farms from 1930 to 1940 at a time that Milo Perkins and his little helpers were spending their

time and someone else's money in their attempt to show the great humanitarianism of the present administration. This humanitarianism was not evident to the countryside. In fact, in many cases, the Federal agencies were the toughest collectors at that very time.

When you realize that the United States Department of Agriculture reports show that over one-quarter of the producers in many sections received less than \$300 per family total gross income in 1939, I am sure you see why all programs should have careful scrutiny or we will see a program of Santa Claus to the few but Shylock to the many.

The merits of a food distribution program that would provide this food to foster homes would be above all criticism. This food could be distributed on the basis of enrollment. There are 2,240 foster homes with an enrollment of 240,000 children in the United States. Accusations of using these food commodities for political purposes could not be made as the foster homes would have no votes and would control practically no votes.

Corporal Raymond Schammel

EXTENSION OF REMARKS

OF

HON. THOMAS D'ALESSANDRO, JR.

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. D'ALESSANDRO. Mr. Speaker, under leave to extend my remarks, I include an article from the Baltimore

News-Post regarding one of my constituents, Corporal Raymond Schammel, of Baltimore, Md.

Corporal Schammel, with Yankee ingenuity and his own brand of psychological warfare, routed six Nazi tanks on the Italian battlefield, despite the fact that the tanks were out of range of his shells. We have every reason to be proud of our boys.

The article follows:

YANK FROM HERE ROUTS NAZI TANKS

WITH THE FIFTH ARMY, ITALY.—Using his own brand of psychological warfare on the enemy, a Baltimore gunner routed six Nazi Mark VI tanks, despite the fact they were out of range of his new weapon.

Corporal Raymond Schammel, son of Mr. and Mrs. George Schammel, 2437 East Federal Street, Baltimore, is No. 1 gunner on a massive tank destroyer now making things miserable for the enemy on the Allied Fifth Army's Anzio-Nettuno beachhead south of Rome.

The situation which gave the corporal the opportunity to wage his own psychological warfare was this:

The tank destroyer was hidden in dense foliage and the job was to protect an infantry battalion command post. Suddenly, far in the distance, the six Nazi monsters came lumbering along and headed in their direction.

OUT OF REACH

Sgt. Lawrence Rhoads, of Columbus, Ohio, and the gun crew were amazed to find such a good target in front of them. But the sad part was that they couldn't reach the tanks with their own gun.

Sergeant Rhoads gave the order to fire, anyway, and Corporal Schammel went to work.

He purposely fired a few rounds short of maximum range. Then he increased the range slightly and dropped a few more shells in the direction of the Nazis. He kept up this creeping fire until he fired 22 shells and his gun had reached maximum range.

MAKE FAST RETREAT

The last shells fired still were far short of their targets, but Schammel's psychology worked. The enemy tanks saw the shells bursting in front of them, each one getting closer. As they could not see the well-hidden tank destroyer, they had no way of knowing that it had exhausted its range possibilities. They stopped, turned around quickly, and high-tailed it back to their own lines, hastened on their way by 12 more shells belched from the tank destroyer.

The rest of the crew who aided Schammel were Pvt. (1st cl.) Peter Castellano, assistant gunner, of New Haven, Conn.; Pvt. Albert Brousseau, driver, of Nashua, N. H.; and Pvt. (1st cl.) Albert Povilna, radio operator, of Whiting, Ind.

Corporal Schammel has one brother in the service. He is Pvt. John F. Schammel, now stationed in California.

St. Lawrence Seaway

EXTENSION OF REMARKS

OF

HON. HARRY SAUTHOFF

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. SAUTHOFF. Mr. Speaker, under leave to extend my remarks in the

RECORD, I include the following resolution:

Whereas hearings are to be conducted by the special St. Lawrence subcommittee of the Senate Commerce Committee May 15 or thereafter for the purpose of hearing all matters pertinent to the development and completion of the St. Lawrence seaway and power project; and

Whereas this matter is now before Congress for their consideration and decision; and

Whereas this development will open up a new shipbuilding resource of great capacity in Manitowoc, which is in close proximity to raw material and will make it possible to turn out large numbers of naval craft, merchant vessels, and auxiliaries of all types on the Great Lakes. Likewise, it will provide low-cost water transportation for the agricultural and industrial produce of the Middle West and thereby open new markets in Canada, Europe, and Latin America; and

Whereas we likewise deem this development to be of paramount importance and to the best interests of our Nation for defense and commerce: Now, therefore, be it

Resolved by the mayor and Common Council of the City of Manitowoc, That we go on record unqualifiedly in favor of this development, satisfied that it will result in great and lasting benefits to the Nation as a whole; be it further

Resolved, That we earnestly recommend that construction of this waterway be commenced as soon as labor and materials are available; be it further

Resolved, That a copy of this resolution be sent to Hon. JOHN H. OVERTON, chairman of Senate Finance Committee; Senator GEORGE D. ARKEN, Senator ROBERT M. LA FOLLETTE, Senator ALEXANDER WILEY, Congressman LA VERN DILWEG, and H. C. Brockel, secretary of Great Lakes Harbors Association.

Contract Settlement Act of 1944

SPEECH

OF

HON. ADOLPH J. SABATH

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Saturday, June 17, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill (S. 1718) to provide for the settlement of claims arising from termination of war contracts, and for other purposes.

Mr. SABATH. Mr. Chairman, I feel that the amendment offered by the gentleman from California [Mr. JOHN-SON] if amended as proposed by the gentleman from Tennessee [Mr. KEFAUVER] would be an effort in the right direction to protect the little fellow. I fully realize and appreciate the unfortunate situation where the small contractor or the subcontractor has suffered and how he has been taken advantage of. I do not feel that the prime contractors, the big contractors, need a great deal of protection from Congress. They are able to take care of themselves and they have done so. Whenever I hear people speak of the immediate need for this legislation for the purpose of aiding reconversion, such elicits a broad smile from me. I read only a few days ago a report by the Securities and Exchange Commission showing the great surpluses, reserves, and profits that have been accu-

mulated in the last 3 years by these contractors. Their cash position has increased by 300 percent, so that today the available, ready cash of not all but most of the companies is more than \$40,000,000,000. As I pointed out a few days ago, their cash position is nearly three times as great as it was in 1940. In view of that fact I do not fear that these large industries will need the aid of the Government. They have taken care of themselves.

As to reconversion, they have been doing it and preparing for it for a year and a half at Uncle Sam's expense. They have been changing and improving and developing new machinery for production of civilian goods, including many new articles, that will be ready for the market the moment there is no further need for war materials. They do not need our advice nor aid nor assistance. They have always been able to take care of themselves. The truth is there is no such need as is stressed. But the little subcontractor, the small man, does need your protection. For that reason, as I said before, I am ready and willing to vote for the amendment offered by the gentleman from California as proposed to be amended by the gentleman from Tennessee.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. SABATH. I yield to the gentleman from Pennsylvania.

Mr. WALTER. Does not the gentleman feel that the subcontractor is adequately protected by the provisions in paragraph (f) at page 71, under which there may be a payment and even a second payment in the event of the insolvency of the prime contractor?

Mr. SABATH. Where there is a just, proved claim, I hope that will be done; but I am fearful that the contractors will try to get all the money they can, regardless of merit, in every conceivable manner. I do believe that justice should be done to the little fellow and that the big fellows should be properly and effectively restrained from gouging the Government. What we should do is try in every possible way to preserve and safeguard the rights of the taxpayers. I believe this could have been done if the amendment offered by the gentleman from Texas [Mr. THOMASON] had been adopted and the Comptroller General had been given authority to say how much and whom should receive the amounts that would be agreed to by the various contracting officers of the different departments. Nobody should be allowed to audit his own acts, especially when there is a monetary consideration.

In conclusion, let me remind the gentleman from Georgia [Mr. VINSON], chairman of the Committee on Naval Affairs, and the gentleman from Pennsylvania [Mr. WALTER], who reported S. 1718 from the Committee on the Judiciary and which is the same as the Naval Affairs bill, with a few slight changes, that they and the other members of their respective committees should not forget that at this time there is pending one suit covering 365 contractors and involving more than \$600,000,000, which contractors have overcharged and taken ad-

vantage of the Navy's contract adjustment officers. Notwithstanding that we are going to authorize the same adjusters to agree as to what amounts the contractors shall receive on cancellation of their contracts. And what applies to Navy overpayments that have already come to life applies to War Department and Maritime Commission contracts. Consequently, once more, I urge that you realize the necessity of having some responsible person of experience and proved honesty and in whom we have complete confidence, like Mr. Warren, the Comptroller General of the United States, to sit in with veto power before any payments of the millions shall be doled out to the contractors. I mean all contractors who have done business with the Government, whether constructing buildings, ships, tanks, airplanes, ordnance material or any other party who will come in with shrewd lawyers and accountants and try to mulct the Government. If within a year or two—remember this—if within a year or two it becomes necessary to institute criminal proceedings to punish offenders and civil actions to recover money, do not blame that condition upon the administration. The blame will be chargeable to yourselves because you will have failed in your duty to prevent these frauds.

A few moments ago when I urged the adoption of the amendment to authorize the Comptroller General to have a real voice in the adjustment of claims, I inadvertently stated that these contracts involve from \$25,000,000 to \$50,000,000 when I meant they involve from \$25,000,000,000 to \$50,000,000,000, and, perhaps, \$75,000,000,000.

Price Control

EXTENSION OF REMARKS

OF

HON. JOHN W. McCORMACK

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. McCORMACK. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following letter:

OFFICE OF PRICE ADMINISTRATION,

Washington, D. C., June 17, 1944.

The Honorable JOHN W. McCORMACK,
House of Representatives,

Washington, D. C.

MY DEAR MR. McCORMACK: I was greatly disturbed to learn yesterday that, before the renewal legislation has even come out of conference, a new and sweeping restriction upon the Administrator's powers to control prices has been attached to the O. P. A. appropriation for the coming year.

The restriction, as approved by the Appropriations Committee, is as follows: "Provided further, That none of the funds appropriated in this act shall be used to pay the salary or expenses of any person fixing maximum prices for different kinds, classes, or types of a commodity which are described in terms of specifications or standards, unless such specifications or standards were, prior to such order, in general use."

cause will be suddenly deflated. For these people the world will seem pretty drab and uninspiring until they have found a new focus for their energies and their devotions.

In short, the civilian demobilization of the United States will have to be both physical and psychological. In both spheres it promises to be a slow and stormy process.

Thoughtful persons are agreed that the sudden lifting of all wartime Government controls, if it could be brought about, would cause economic and social chaos. But everyone who understands the genius of American institutions believes that the controls should be progressively relayed as the instruments of production and distribution resume their normal functioning, and that they should disappear altogether at the earliest safe date. We should remember, however, that no one who has acquired power ever voluntarily relinquishes it. Therefore, we can expect that most regulatory agencies of the Government will endeavor to become permanent and to continue to exercise as much as possible of their wartime authority. We can expect likewise that every nongovernmental group which has won special concessions, because its services to the life of a nation at war were thought to be indispensable, will seek to retain its immunities and extend still further its privileges. Whichever party is in power we can expect mistakes, injustices, and intolerable delays in dismantling the war plant and in disposing of the surplus war materials. We can expect many painful dislocations in the field of employment, and at least some temporary unemployment, as the war industries are reconverted to the production of civilian goods.

These are a few of the obstacles that must be surmounted in the task of physical demobilization. But there is nothing about the task that needs to daunt us, if we keep our heads. The problems will not be different in kind from those that America has faced over and over again. They will only be larger in scale.

Ever since the days of George Washington there has been conflict among us concerning the appropriate powers of the Federal Government. We shall probably go on disagreeing with one another about what the Government should be authorized to do as long as the American system survives. Certainly the tenacious hold on life of bureaucratic agencies is no new thing. Neither is the effort of groups of citizens to gain and hold special privileges. Finding the ways to check privilege and to preserve equal rights has been the perennial assignment of the American people. They have often been temporarily outwitted. But in the long run they have mastered group after group of would-be exploiters. They can do it again. For at least a century the imagination and the creative ability of Americans have been most conspicuously displayed in industry. The almost miraculous achievements of the last 4 years, which have never been equalled in our own or any other land, justify the belief that American industry can meet the demands of reconversion and of greatly increased peacetime production, if we the people and our elected representatives have intelligence enough not to throttle it with too many artificial restrictions.

No; it will not be the enormous size or the complexity of the task of reorganization for peace that will carry a threat to our institutions and our traditions. It will be rather the hold-over of the war psychology. Inevitably there will be confusion in the early days of reconstruction. Many people, still overexcited and unsettled, will expect a brave new world to be born ready made on the heels of war. When it does not at once appear they will be disillusioned and resentful. They will have been conditioned to violence and to quick action. They will be disposed to seek scapegoats whom they can blame for situations which dissatisfy them. They will be ready to listen to anyone who

offers some absolute scheme for reforming society and making everybody happy, prosperous, and safe. The demagog with a panacea will have an enthusiastic following.

If these seem like improbable predictions we should recall what happened in nearly all countries, our own included, following the First World War. We had the Ku Klux Klan. In several localities we had what amounted to armed persecution of unpopular minorities. Eventually we had Huey Long.

The European countries furnished much more striking examples. Before the Italian people had recovered from the emotional debauch of the war Mussolini offered them an absolute scheme of national reform that was accepted with acclaim. Hitler, the greatest demagog of our time, presented the Germans with the panacea of national socialism. These may sound like far-fetched parallels. But would-be Mussolinis and Hitlers have existed in the United States, as the investigations of the F. B. I. reveal; and others are undoubtedly waiting in the wings for their cue to step upon the stage.

The war is not yet won; the severest fighting, the greatest sacrifices lie ahead. Nothing must divert our energies from the immediate obligation of seeing it through to complete victory. But wars have a way of ending without warning. Against the new exigencies of that unknown terminal date, be it near or remote, it is well for us to be forewarned and forearmed. For then the Nation will need, as perhaps it has never needed before, the militant championship of those who truly understand the principles and traditions that have given America its unique place among human societies. It will need men and women who believe passionately in the rule of law and the equal application of the law to all; who are determined that the Government shall be at all times the servant of the people, never their master; who will stand up for the rights of minorities against all attacks from whatever source; who are convinced that the slow and often halting processes of democracy offer the surest road to individual and social improvement.

Ladies and gentlemen of the class of 1944, what I am saying is that then, as now, America will need especially you and your kind—you who have had peculiar opportunities to grasp the broad sweep of our country's history and to analyze its current problems, you who have lived in the environment of a university that is dedicated to the cultivation of the freedom of the mind and to the daily practice of individual responsibility.

America calls on you now to bear the heaviest burdens that are laid on any of its citizens. By reason of your youth and strength it summons you to undertake the most arduous and most thankless tasks, to fight the most dangerous battles in the greatest of its wars. It will call on you with equal insistence when the fighting is over to continue to defend what your ancestors have won through a century and a half of struggle, what you will have won again, "the last, best hope of earth." I am persuaded that it will not call in vain.

Jewish National Home in Palestine

EXTENSION OF REMARKS

OF

HON. GEORGE D. O'BRIEN

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. O'BRIEN of Michigan. Mr. Speaker, it is my privilege to join in the effort to provide a measure of justice

and relief for sufferers from oppression by securing the establishment of a Jewish national home in Palestine.

The Balfour Declaration of November 2, 1917, enunciated the profound and just principle that the ancestral land of the Jews should be made available for their immigration with the ultimate goal of achieving a national home. The mandate for Palestine was confirmed by the Council of the League of Nations in 1922 and embodied the Balfour Declaration. It would therefore appear that the principles of the declaration would have the effect of law confirmed by international approbation. In reliance, more than 300,000 Jews immigrated to Palestine and the Jews constituted more than one-third of the entire population. As a result great improvements and developments occurred.

The termination of such immigration taking effect March 31, 1944, has resulted in a grievous disappointment to the refugees from cruel and intolerant oppression.

If there was need for a Jewish national home in Palestine in 1917, how much greater and more appealing is the need today? It was well said in the British Parliament in May 1939:

You cannot ignore the fact that this is the cradle of two of the greatest religions of the world. It is a sacred land to the Arabs. It is also a sacred land to the Jew and the Christian.

The Zionist movement is in keeping with the Balfour Declaration and with the terms of the mandate for Palestine confirmed by the League of Nations and awakens a responsive chord in the hearts of all lovers of justice and humanity.

The B-26 Marauder

EXTENSION OF REMARKS

OF

HON. FRANK W. BOYKIN

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. BOYKIN. Mr. Speaker, under leave to extend my remarks in the Record, I include an article published in the Washington Evening Star, on Monday, June 4, 1944, concerning a safety record set in B-26, manufactured by the Glenn L. Martin Aircraft Co., of Baltimore, Md:

SAFETY RECORD SET IN B-26 TRAINING, AIR FORCES REVEAL

DODGE CITY, KANS., June 5.—The Army Air Forces Training Command School here, noting that the B-26 Marauder was once dubbed "the widow maker" by student pilots, declared in an announcement yesterday the Marauder is now regarded by qualified airmen as a plane to be feared only by its enemies.

The two-engine pilot school revealed that in a 6-month period its Marauder trainers had not had a single fatal accident through flights totalling in distance more than 20 round trips to the moon.

This, along with reports of combat success, the A. A. F. training command says, has blasted the accusation that the bullet-shaped medium bomber is temperamental.

WASPS graduated from the A. A. F. training command's Women's Airforce Service Pilots' School at Sweetwater, Tex., the statement revealed, have completed transition training at Dodge City and some are flying the B-26 out over the Gulf of Mexico, towing targets.

The new success is attributed to teaching pilots to "know the airplane" in an intensive 10-week course. Before transition schools were established, green pilots were given on-the-job training overseas.

"Every operational trouble the students might meet in training or in combat becomes a familiar problem to him, almost an old friend," said Col. C. B. Root, commanding officer of the school and native of Madison, Wis.

The plane has two 2,000 horsepower engines, weighs 20 tons, and takes off and lands at well over 100 miles per hour. It has four separate hydraulic systems and 21 instruments and 69 controls in the cockpit. Students have learned to hold altitude, execute turns, and maintain heading—all on one engine. And they have learned to land the plane in one-half the distance once considered safe. The specified figure is a military secret.

Why the St. Lawrence Seaway Power Project Is Inimical to the People's Best Interests

EXTENSION OF REMARKS
OF

HON. JAMES H. MORRISON

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. MORRISON of Louisiana. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following editorial from the Labor Record, New Orleans, La., of May 1944:

Once again they are trying to push through the fantastic bill for the erection of the St. Lawrence seaway power project, in spite of the fact that in 1941, after many months of debate, it was proven inimical to the interests of the people. Now, 3 years later, when the same people are going through the most trying times in the history of the country, willingly standing the burden of heavy taxes necessary to carry on this grueling war, at such a time, how in God's name can any Representative of the people bring to light a bill already once soundly beaten, to erect a project that will cost the people close to a billion dollars. Before placing the solid reasons to you why we oppose this fantastic project once more, we wish to make an emphatic statement that we defy any proponents of this bill to refute—it seems to us that certain Senators and Congressmen should devote more of their time in seeing what can be done to bring this war to a quicker ending, so that our boys, who are really sacrificing the most, can come back home once more. What do you think our fighting men would say if they heard the Senate was devoting their time debating a bill to erect a project that will take from 7 to 15 years to erect, instead of trying to use that billion dollars to give them more planes, guns, and ammunition so that they can finish the job they are so bravely doing as quickly as possible.

Under the treaty of 1814 complete American sovereignty over Lake Michigan was established, our claim to this body of water being just, inasmuch as no part of same lies in adjoining Canadian territories. Under the treaty project Canada would have abso-

lute authority to recognize water diversion for use in this water shed. The observer cannot fathom why Canada should be granted such authority when, under the treaty the Dominion has the right to divert for its sole use all the water it needs for power or other uses through the Ottawa River, from Lake Huron to Montreal. This diversion would also most certainly affect the flow of Niagara Falls.

Our country, the United States of America, should protect the interests of their people first, last, and always, and should not even contemplate nor sanction any project which would prove injurious to any of our people. The friendship now more than ever existing between the United States and Canada is one held dear in the hearts of every American, but the American people desire to retain their present land and water rights, but gladly give their services and monetary wealth to their friends in distress.

Statistics have proven that 81 percent of the American cargo vessels or tankers and 90 percent of the passenger cargo ships engaged in intercoastal trade, could not possibly use the Great Lakes-St. Lawrence seaway project. With these facts and figures at hand it is proven that our country could not even receive a minimum benefit from the seaway's operation, yet, the taxpayers of the Nation would have to yield upwards of a billion dollars for construction. Allotment of individual State taxation for the project would fix a debit for Louisiana in the region of \$7,000,000.

Just as an example let us take the case of Louisiana into consideration. In New Orleans it is a known fact that in normal times out of every dollar's revenues in the city close to 70 percent is derived from its water transportation. A close study of this fantastic bill shows that between 40 and 50 percent of the business of the port of New Orleans would be diverted to other ports.

What is to become of the millions of dollars invested in New Orleans directly and indirectly in water transportation business? What is to happen to the thousands of men and women employed by these concerns? We were put under the impression that our Senate and Congress were devoting their efforts in trying to create new industries to create jobs for our returning heroes, not trying to put into effect bills that would throw workers into the streets. What would happen to New Orleans would also be duplicated in the entire Mississippi Valley.

This country is provided with many accessible ports to accommodate all the ocean-going vessels of the world. With these ports spread over a wide area as at present, general prosperity is not restricted only to a small area, as it would be should the seaway project be put into operation. Wholesale unemployment throughout the country would be inevitable, and the influx of migratory workers to the Great Lakes regions and result in a panic and endanger the well-laid foundation of our mighty Republic.

The proponents of this seaway project have not considered the various angles as the more cautious men that constitute the opposition. Let us study another angle. The proponents of the bill have the audacity to claim that it would result in an economic boon. Shall we just to humor them and to bring home our point say, "You are right"?

Now everyone with any intelligence knows that the waters of the Great Lakes are only navigable 7 months of the year. Would the other transportation interests be content to lie idle 7 months while the seaway interests reap the golden harvest? The truth of the situation is if they tried to do so they would not be able to stay in business, and if they are forced out of business, how are you going to be able to transport your goods the remaining 5 months?

We would appreciate very much if the illustrious Senator ARKEN from Vermont would answer this question directly to us. Yes, Senator ARKEN, again we repeat, let us forget about bills that increase the taxes on the people and let all of us place our entire efforts to winning this war as quickly as we can.

In behalf of the American people, we unreservedly condemn and oppose the treaty project, and entreat our Senators and Congressmen to do likewise, and by so doing, preserve the security of the Commonwealth.

Termination of War Contracts

EXTENSION OF REMARKS
OF

HON. JOHN J. COCHRAN

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. COCHRAN. Mr. Speaker, the passage of the bill to provide for the settlement of claims arising from terminated war contracts resulted from the recommendation made in the Baruch-Hancock report. No less than six committees of the House considered legislation of this character. It was argued that only in this way could industry bring about reconversion that would result in employment being available to those in the armed forces on their return. That was strongly pointed out and was one of the outstanding factors that caused many Members to support the measure.

It is beyond anyone to even estimate what this will cost, but one thing is certain—in trying to reach an estimate, think not of millions, but of billions.

No one will dispute the responsibility of the Government to assist industry in reconversion.

To my mind there are several classes of contractors. First comes the group that immediately responded to the call of their country, dismantled their plants, and converted from peacetime to wartime activities. This not only applies to the parent contractor but also to some subcontractors.

You have other contractors and subcontractors who are not in this class. For instance, as I pointed out Saturday, you have many corporations not in existence prior to Pearl Harbor who leased Government-owned and Government-equipped plants. These corporations will be liquidated as soon as wartime production is curtailed.

The corporations whose wartime activities did not require conversion of their plants is another class. No hardship will result when they return to peacetime activities.

The outstanding discussion centered around the part the Comptroller General would play in the settlements. Under the terms of the bill, the preaudit of the Comptroller General is out of the picture. He will be confined to a post-audit and only where there is evidence of fraud will he have a voice. When we recall what happened in World War No. 1 and the scandals that developed, the wisdom

of eliminating the Comptroller General is debatable to say the least. We likewise recall at the end of World War No. 1 we had 21,000 new millionaires. No one wants that to be repeated.

Following those scandals the Congress passed the Budget and Accounting Act in 1921 creating the office of Comptroller General and the General Accounting Office. The Congress made the Comptroller General its agent to see that money was spent for the purpose for which it was appropriated. The law provided for preaudit of accounts before final settlement. The wisdom of passing that law has been demonstrated. Under that law the Comptroller General was not confined solely to fraud as he is under the provision of this bill. In the auditing of accounts very frequently unethical business practices result in overcharges. Under this bill the Comptroller General cannot take exception unless he can prove fraud.

For the sake of argument let us admit there is justification for immediate settlement after termination of contract with those in the first class I mentioned, still I doubt it is wise to do the same for those in the other classes, especially when no hardship is involved nor will immediate settlement result in jobs.

The taxpayers are at least entitled to that much protection.

In Commemoration of Eddie Savoy, a Trusted and Faithful Public Servant

EXTENSION OF REMARKS OF

HON. HAMILTON FISH

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. FISH. Mr. Speaker, I am very pleased that Eddie Savoy's memory and long and faithful service as a messenger to various Secretaries of State since 1869, when he was appointed by my grandfather, Hamilton Fish, Secretary of State for 8 years, 1869-77, is to be honored and commemorated by naming a Liberty ship after him.

I know of no Government employee who has had a longer or more faithful record of Government service than Eddie Savoy, the trusted and well-liked colored messenger of numerous Secretaries of State.

It is fitting and proper that his memory and services should be honored by naming a Liberty ship after this trusted and faithful colored messenger, known and liked by every Secretary of State for the past 64 years.

Mr. Speaker, I include the following article from the Washington Evening Star of June 14, 1944, pertaining to the launching of the vessel at Baltimore on July 8:

LIBERTY SHIP WILL BEAR NAME OF "EDDIE,"
COLORED MESSENGER

The name of Edward Augustine Savoy, colored messenger to Secretaries of State for 64 years, will be borne on the seven seas by

a Liberty ship, the Maritime Commission announced yesterday. Launching of the vessel at the Bethlehem-Fairfield yards at Baltimore is tentatively set for July 8.

"Eddie," as he was familiarly known to three generations of diplomats and officials here, died last summer at the age of 88. He had been retired from the State Department in 1933 after two Secretaries, Frank B. Kellogg and Henry L. Stimson, had personally interceded with the Civil Service Commission to keep him on duty for 8 years beyond the date of his statutory retirement in 1925.

The diminutive "Eddie," a master of tact and diplomacy, was known to statesmen throughout the world. It was he who took their hats and coats when they called to see the Secretary of State, politely bowed them into the diplomatic waiting room and escorted them—always at precisely the right moment—into the Secretary's inner office. The ancient messenger at the time of his retirement had a collection of valuable gifts, a reward for his courtesies from many foreign lands.

When, in 1933, "Eddie" finally left the State Department, a White House official car called for him and brought him to receive a personal farewell from President Roosevelt.

"And," the delighted "Eddie" told reporters when he left the Executive Mansion, "he told me to come back and see him any time."

A native of Washington, "Eddie" was born here and became a messenger in the State Department under Secretary Hamilton Fish. In all, he served under 22 Secretaries.

Who Is Entitled to the Benefits of Public Housing?

EXTENSION OF REMARKS OF

HON. CARL T. CURTIS

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. CURTIS. Mr. Speaker, today the armed forces of the United States are making glorious strides toward victory. The welfare of these fighters and their families ought to be the first consideration of a grateful Government. Other workers in the United States are doing a good job, but the most consideration should be given "to him who is bearing the battle" and to his loved ones.

The National Housing Agency has provided certain housing at the Harvard Army Air Base at Harvard, Nebr. A part of these housing units have been occupied by the families of flyers, so that these men could be with their wives and children before they left for overseas. The Harvard Air Base is a final training base for men going overseas. Some of them will not come back. The American public will not permit their families to be evicted by the United States Government to make room for anyone else. Military men and their families should have first opportunity to use public housing, regardless of the rules and regulations of any agency.

Mr. Speaker, I wish to include a telegram received from the wives and families of the servicemen at the Harvard, Nebr., air base. This is dated June 15, 1944, and is as follows:

Preliminaries for action have been taken by Federal housing authorities for this area to evict Harvard Court military personnel families. Our situation is desperate since we have no other homes. Many of our men are in the overseas training group. Preservation of the American way of life and homes means little to men who are going to lay down their lives if their own homes are taken away. Immediate action necessary to preserve morale.

I also wish to include a telegram, dated June 19, 1944, from H. H. Rauscher, mayor of Harvard, in behalf of the city officials and interested citizens of the community. This telegram is as follows:

We urge immediate action on your part against the proposed eviction of service families from the Harvard Courts. Forty units are not in use at present and have been reserved for civilian defense workers. We urge that these units be furnished and used to relieve critical situation here. No other housing facilities are available. The housing facility has never been fully used since its completion. Why not finish and use these units before evicting the servicemen. This is a final training base for men going overseas. We feel that these families should be allowed to be together until the man receives shipping orders. We earnestly ask your immediate consideration of this matter. Thanking you in advance for anything you can do.

The End Begins for Germany

EXTENSION OF REMARKS OF

HON. DEWEY SHORT

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. SHORT. Mr. Speaker, under leave heretofore granted to extend my remarks, I include the following article by Owen L. Scott, which appeared in the Washington Sunday Star, June 18, 1944:

THE END BEGINS FOR GERMANY

(By Owen L. Scott)

A deep-seated, although not publicly expressed, feeling exists among those competent to judge that Germany will be forced to surrender within the next 6 months, if not sooner.

At the same time, there is a growing belief that Japan can be forced into defeat within a year of the time that Germany goes down. This belief is based upon expectation that public pressure will force a speed-up in the tempo of this war. This pressure will grow from the fact that demobilization will start with the end of the German war and the millions of men who must stay in the Army and Navy to fight the Japanese war will become very impatient to join the other millions of men in the Army who will go back to civilian life with defeat of Germany.

The intent of the Army is to release from service first of all those men who have been mobilized for the longest time and who have seen the hardest fighting. Even so, it is going to be difficult to sell the country on anything less than an all-out use of available materials to get the Japanese war won so that men can get back to their peacetime pursuits.

At the moment, the German situation appears increasingly hopeless, with basic German weakness more and more apparent.

The German Air Force is so weakened that it was unable to take advantage of its great

opportunity to strike at invasion ports when the move on Europe began or to strike at landing beaches when actual invasion occurred. The Germans never again will enjoy a comparable opportunity to make decisive use of their air force.

The German Army is so strained for manpower that it is using young boys and impressed troops including Czechs, Poles, Russians, and French who obviously cannot make the most effective soldiers. German transport was so upset that a major counterattack in France was delayed long enough to permit American, British, and Canadian troops to become firmly established.

German industry no longer is able to keep the German Army supplied as it must be supplied if it is to stand up to the lavish use of weapons that can be made by our side. German oil supplies definitely are being strained. German air losses cannot be replaced. The German Navy has failed to show anything impressive.

Despite the fact that German Armies still fight desperately and with skill, the fact of basic weakness in the whole German war machine cannot be concealed longer. When the collapse does come, it probably will be discovered that Germany had become pretty much of an empty shell with its industry, its transport, and its manpower badly blasted.

These other points are becoming clear.

The great German manpower and material losses in this war have occurred and probably will occur on the Russian front.

American and British airpower in the west has done and is doing just about all that was claimed for it by responsible air officials. The airplane has just about knocked the heart of German industry and German transport. In the period ahead the airplane probably will play a major part in knocking the heart from German armies in the west.

Casualties on our side, although they will be heavy, will not be as heavy as some officials have warned that they would be. It is notable that casualties in almost every theater of war have been under official estimates. This is due to the fact that the United States is able to throw in machines and metal in such lavish quantities. American industry is enabling the Nation to win this war with a minimum expenditure of life. It is improbable that the mass casualties, the casualties in the millions, that have occurred on the eastern front will occur in the west.

At some point these and other facts will impress themselves upon the Germans. When that point is reached, with Russian armies pressing from the east and American-British forces driving from the south and west, the Germans probably will be ready to give us. The next few months are expected to be the decisive months when Germany will be hit with all of the allied power that has been built up during 2½ years of effort.

Once German defeat occurs there will be release of naval and air forces for operations against Japan.

In fact, a vast quantity of war material and a navy of a size four to five times greater than the Japanese Navy even now is in the Pacific. When the British Navy can shift units to the Indian Ocean and Pacific areas the way should be opened for decisive action. It is true that this war could be turned into a very slow type of naval war in which years could be taken up with slow-motion jumps and maneuvers. That type of war, however, is unlikely. It now has been proved possible to strike directly at Japan itself by air and to force the Japanese Navy to fight or to be rendered impotent.

Japan is just a group of small islands, dependent for life upon imports of all basic materials, including food. Naval and air action can be used to destroy the war-making ability of that island in much less time than the last 2½ years of slow-motion warfare suggests.

As the situation now appears, 1946 may turn out to be the first full year of peace following what will have been a 6-year world war.

Contract Termination

EXTENSION OF REMARKS

OF

HON. EMANUEL CELLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Saturday, June 17, 1944

Mr. CELLER. Mr. Speaker, I voted in committee for S. 1718, as amended, which is the so-called Walter bill embodied in H. R. 4789. This bill provides for settlement of claims arising from terminated war contracts.

However, this bill only attacks one phase of the all-embracing problem of transition from wartime to peacetime industry. It only takes care of stockholders and principals of entities whose wartime contracts are terminated and takes care of them whether they are prime contractors or subcontractors. It is primarily concerned with fiscal arrangements between the Government and contractors. It leaves untouched the momentous questions of reemployment of discharged employees as a result of such contract termination.

Frankly, I am naive enough to believe that these fiscal problems are not unrelated and should not be considered without reference to problems confronting the employees who are bereft of jobs and who may be left stranded as a result of contract cancellation and termination. I am interested in the human side of this problem as well as the material side. Involved in the human and labor aspects are the speedy reconversion of war plants to civilian production or the reutilization of these plants to other war production.

The contract-termination bill only deals with one sector of this difficulty, namely the financial liability of the Government to the war contractors.

We all agreed that there should be a peacetime economy of full employment. We may differ as to which path should be trodden to reach that goal. I would like to have a peacetime economy that would produce as much, if not more, than was produced in our highest level of wartime production. If we fall short of that goal, we invite bristling difficulties.

To divorce the problem of reemployment from the problem of satisfying financially the contractor is equivalent to a half-hearted solution of this vast field of view.

In addition, there are the questions of disposition of surplus property, the stimulation and furtherance of activity in agriculture. There are various bills being considered by various committees dealing with war production, reconversion, post-war adjustments, expansion of foreign trade, taxation, and social-security measures, public works employment, and enhancement of agricultural pursuits. To my mind this seems like taking 17 bites off a cherry. All such

well-intentioned and well-meaning inquiries by these various committees should be under some over-all umbrella-like supervision, but that supervision, apparently is lacking. It is true that the House Post-war Planning Committee is considering all these factors, but when it comes to bills involving remedies four or five committees are at work. This is a piecemeal approach to a gigantic problem that requires a coordinated approach.

There is need for speedy action on cancellation and satisfaction of fiscal claims, but that proposition cannot be considered in a vacuum. See what happened in the Brewster case. Thirteen thousand workers were suddenly catapulted out of their jobs by a summary cancellation of contracts for the manufacture of planes. No notice of cancellations was given. The facilities and manpower of the Brewster plant remain idle. Unless drastic steps are taken, we have the disturbing spectacle of a waste we can ill afford. The Navy Department, apparently, did not consider the use of that plant for other war work despite the fact that Donald Nelson, Chairman of the War Production Board, urges greater war production as April records fall below March. The Brewster facilities and 13,000 workers are rather hors de combat because no plans had existed for continued use of such man and material power.

The Brewster fiasco highlights the need for integrated remedies. It clearly shows the fallacy of thinking it is possible to deal with one aspect of demobilization without, at the same time, considering other aspects. We can see the importance of the labor side of this situation. It is clearly discernible when we realize that the President has interested himself and has promised personally to investigate the Navy's abrupt cancellation of the Brewster contracts and to find other means of reemployment for the discharged employees. He recognizes the hardship visited upon these men and women. He recognizes the hardship resulting from lack of planning and that others besides stockholders must be considered in these contract cancellations.

It has been said that the workers could pack up and go to other areas just as a soldier does. That is rather a cavalier answer. It is not very easy for these employees to assume the roles of a civilian pup-tent army. There are questions of housing and transportation, all vital to migrating workers. Furthermore, these workers do not know where to go where work may be found. There is no effective directing agency to tell them where to go. There are no effective signposts to guide them.

There will be many Brewster cases. The instant bill does not help in that regard. It only helps those with financial interest in war contracts.

Furthermore, in this particular Brewster plan, there was a \$6,000,000-housing project built for the workers. These houses built at the public's expense may now become vacant. If these and many other tragic mistakes are to be avoided, an over-all mechanism must be set up and guiding principles laid down to uti-

lize facilities which become available and to utilize the skilled and unskilled labor who find themselves without jobs. Machinery must be provided for cut-backs or lowered production schedules, for increasing essential civilian production, for training displaced workers, for maintaining their purchasing power, and above all, for maximizing the use of their skills and abilities to achieve greater production in the war effort and in peacetime as well.

In addition, thereto, provision may have to be made for emergency unemployment compensation benefits to tide the worker over from unemployment to employment. Every worker is entitled to preserve intact his family life. It may be necessary for the Government to step in to help. Preference in that regard must be accorded ex-servicemen.

Provisions may have to be made for a suitable job or "interim placement benefits." Benefits may also have to be paid in general for service as well as non-service men and women and benefits paid for partial unemployment and partial disability. It will be incumbent upon any work administrator to provide free vocational education and training to ex-servicemen as well as to civilians for stated periods, during which time, whether they be family or single men, maintenance allowances will have to be provided.

In all this speed is necessary.

The primary purpose of this statement is to spur on or "needle" into action the committees which now have jurisdiction over these matters. I would prefer one committee to consider these various factors and facets of this problem in an over-all remedial manner, but since these four or five committees have already been given jurisdiction, it is hoped they will not delay in giving us the benefit of their research and deliberation.

The Underpaid Worker Is Forgotten by the New Deal

EXTENSION OF REMARKS OF

HON. GERALD W. LANDIS

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. LANDIS. Mr. Speaker, after listening so many times and reading so many printed pages about the one-third that are poorly housed, fed, and clothed, it is interesting to note the present attitude of the New Deal. The New Deal has always been a Santa Claus to the few and a Shylock to the many. More and more people realize the real attitude of the New Deal which really is all for me and nothing for you.

We have just had a week's discussion of hold the line and inflation. Each day it is more apparent that the only time that inflation is really discussed is when the low-income groups are involved or when the American farmer is in the picture. Here are a few examples:

Last summer the railroad men asked for an increase of 8 cents per hour but were flatly refused by the Director of Economic Stabilization, Fred Vinson, because it would cause inflation. This inflation scare was all the more questionable when one realized that one-third of the railroad workers received 57 cents per hour or less and a total average income of less than \$2,500 per year. This was done a few weeks after Mr. Vinson himself had obtained an increase in salary from \$12,500 to \$15,000, or \$2,500. In addition to this increase in salary, he also was and is receiving a \$628.32 overtime bonus, which is more than the base pay of a soldier.

The 1943 overtime pay bill provided \$200-\$300 for Federal employees in the lower income brackets but provided over twice as much, or \$628.32, for the bureaucrats receiving \$10,000 to \$15,000 per year.

During the consideration of the O. P. A. bill this week we first saw the New Dealers on the floor protesting a provision that would give farmers a parity price for his product which would be a guarantee of some 20 cents to 40 cents per hour. Then as a climax we saw these leading New Dealers on the floor telling the Congress that if the low-income groups of our Nation should receive up to \$37.50 per week upon agreement with their employer, inflation would prevail.

The following excerpts from an editorial by Mr. Fred W. Perkins in the June 15, Washington Daily News gives further evidence of the drift of sentiment for the few at the expense of the many:

HOPE FOR UNDERPAID (By Fred W. Perkins)

Hopes of low-paid and unorganized white-collar workers of getting out from under the wartime wage freeze rest today on the slender chance that House and Senate conferees on the O. P. A. bill will O. K. a Senate amendment intended to exempt raises up to the \$37.50 weekly level—the raises to be agreed upon by employer and employee and the total to include payment for "usual" overtime.

The House rejected such an amendment yesterday. There was considerable debate and a vote in the House on the subject, while there was neither in the Senate when that body accepted the proposal. That sets up a parliamentary situation which seems bad for the "white-collar amendment."

Republicans furnished nearly all the support in the House, and most of the opposition came from the Democrats. Battling an apparent trend toward the proposal, Majority Leader McCORMACK, Democrat, Massachusetts, took the floor to call it "dangerous and highly inflationary." Other Democrats joined in the attack, and Speaker RAYBURN voted against it. It went down in a 98-to-70 count by tellers, preventing a roll call which Republicans asserted would show a 2-to-1 majority in favor.

Note the editorial comment regarding the position of the Honorable AUGUST H. ANDRESEN, of Minnesota, author of the amendment:

Representative ANDRESEN, Republican, Minnesota, who offered the amendment, charged that "thousands of applications for approval of raises for low-paid workers are now before the War Labor Board and not receiving any attention. Many employers," he said, "want

to raise wages, but cannot do so because of the War Labor Board's cumbersome regulations."

The statement of the Honorable FRED L. CRAWFORD, of Michigan:

Representative CRAWFORD, Republican, Michigan, denied in the House that prices of commodities would be affected, because the amendment carried no authority for employers to seek price relief on this account from O. P. A. He stated: "If we turn down this amendment, I hope we will have to answer to every white-collar worker in the country."

Mr. Speaker, here then is one more concrete example of how the New Deal is so vocal for the underprivileged at election time but when in action they really do not wish to provide \$37.50 per week to the average man although they are willing to provide the biggest of the bureaucrats over \$300 per week without one evident objection so far as inflation is concerned.

Who can say that the New Deal is not Santa Claus to the few and Shylock to the many? The white-collar people of our country were not even allowed to be benefited by a single simple amendment in their behalf. The New Dealers are trying to rock the underpaid workers to sleep, by providing a 3-cent-per-day subsidy on their grocery bill, instead of a proper increase in salary.

The Time Has Come To Break With Franco and Aid the Spanish Republican Guerrilla Forces, Franco's Enemies and Our Allies

EXTENSION OF REMARKS OF

HON. JOHN M. COFFEE

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Monday, June 19, 1944

Mr. COFFEE. Mr. Speaker, on July 18 1936, the first shots of World War No. 2 were fired in Europe. German Army transport planes, flown by Nazi officers, flew an obscure Spanish general and his mutinous troops from Spanish Morocco to Spain. At the other end of the Mediterranean, the jackal Mussolini called up his troops and put them on transports bound for Spain. For a few hours, the world thought that the shooting was merely a civil war in Spain. But it did not take very long before the troops of Fascist Germany and Fascist Italy were fighting in Spain. From the very beginning, the war in Spain was a German show.

When the war started, Herman Goering declared, at a meeting of German military leaders involved in the Battle of Spain, that "Spain is the key of two continents." He made it very clear that Germany proposed to seize this all-important key.

The guiding genius of the battle for Spain, the man who planned and ran its military and political strategy, was Nazi Gen. Wilhelm von Faupel. In 1938, during the Pan American Conference at

Lima, General von Faupel traveled from the Spanish front to Berlin, where he delivered a speech before the German Academy. And in this speech Von Faupel minced no words. He said:

A victory for Fascist Spain will cement our relations with Latin America and will be a rude shock to the good-neighbor policy of President Roosevelt.

Yet, Spain is truly the key to two continents. With Spain in Axis hands, France was outflanked before the Battle for France ever reached the shooting stage. And with Spain as an Axis nation, Hitler had a powerful grip on Latin America—aimed, as Von Faupel predicted, primarily against the United States of America.

This is no longer an official secret. A few hours before we invaded France, the War Atlas prepared with the aid of the Office of War Information reached the public. On page 5 of this atlas, in reviewing the steps by which Hitler prepared for war against us, the atlas declares:

German and Italian troops spent 3 years (1936-39) helping to install the Franco regime and incidentally testing Axis weapons and tactics. Confident of an obligated Spain, Hitler and Mussolini could now threaten France with a two-front war. The British position in the Mediterranean, particularly Gibraltar, was placed at a further disadvantage.

A few months ago, I brought before this House some examples of what we have had to pay in lives and territory because of the obligations Franco Spain has toward Hitler Germany. I pointed out at that time that Jose Luis Aranguren, secretary of the Spanish Legation in La Paz and chief of the Spanish Falange of Bolivia, had transmitted the funds and orders from the Nazis in Buenos Aires to the leaders of the revolt which overthrew the Government of Bolivia. I called your attention to the stream of raw materials Spain was and is still sending to the German war machine—materials produced in Spain and materials brought to the Nazis from the oil fields, the soil, and the industry of the New World via the Spanish merchant marine. I told you about the secret submarine and refueling bases the Nazis maintain on Spanish soil. I reminded you of Franco's series of disgusting and still unfulfilled pledges to withdraw his troops fighting as part of his master Hitler's armies on our eastern front. I cited instances of how the Spanish falange and the Spanish diplomatic service are doing Hitler's work of propaganda, espionage, and sabotage in Latin America—and I offered to produce further evidence of this drive against our security.

Well, that was on February 24, when our troops were still on this side of the English Channel. A few weeks after that, I was visited by a distinguished United Nations official who read that in this speech I had also referred to the treacherous role the Spanish Falange had played in the Axis fifth column in Manila—a stab in the back, by the way, for which the Japanese Imperial Government decorated the Spanish Falange leaders. This distinguished gentleman

told me that after the Japanese took Manila, all the foreign diplomats—including himself—were herded into a room by the conquerors and asked to prepare a list of Americans most dangerous to Japan. All but one of the diplomats refused. The only man to prepare such a list for the Japanese was Jose del Castano, Spanish Consul General in Manila and chief of the Spanish Falange of the Philippines. Need I add that every American on del Castano's list who was subsequently caught by the Japs was executed?

I cannot get del Castano's act out of my mind. It was not the act of an irresponsible individual who hates Americans. As long as Spain remains in the Axis, del Castano's action will serve as the prototype for all acts of Spanish officials in Spain and Spanish diplomats abroad. The "obligated" Spain of Hitler and Franco is an enemy nation—and her acts will continue to remain those of an enemy.

Now that we have invaded France, Franco's day of judgment is near at hand. His crimes against the Spanish people, against the people of the United States of America, against the democracies of the world have not been forgotten. On February 24 I told you in some detail about the activities of the Spanish republican underground armies now battling Hitler and Franco in Spain. The Spanish underground has now served notice to the world that they plan a full-dress uprising in the very near future to drive the Nazis and Fascists out of Spain.

The Spanish republican underground fighters are now fighting our battle in Spain. They are blowing up trains carrying food, oil, and war materials from Spain to Germany. They are sabotaging factories producing uniforms, small arms, and machinery for the Nazi Army. They are killing Nazi pilots, and Gestapo officials inside of Spain. They are sabotaging German coastal fortifications all over Spain. Against tremendous odds, handicapped by tragic shortages of arms and equipment, they have been waging this type of warfare against Hitler since 1939.

Now, as the armies of liberation reach France, the Spanish republicans are preparing a major blow for the United Nations on Hitler's Spanish front.

When this front is opened, are we to play Pilate again? When the Spanish people, for the second time in a decade, rise in a war against Hitlerism, are we again going to declare "neutrality" toward both sides? Can we really hope to again arrogate to ourselves the right to be neutral in a war between our Nazi enemies and our democratic Spanish allies?

The government of the Fascist Franco is run by our Axis enemies. Its neutrality is the spurious neutrality of fascism—a sharp-clawed ersatz dove created to help Hitler in his war against the United Nations. Time and again Franco has openly called for the defeat of the United Nations and the triumph of the Axis armies. The Spanish press, controlled by the Fascist Spanish state, consistently sneers at the democracies and praises

the leaders, the government, and the armies of Nazi Germany.

The menace to us of a Fascist Spain will not be lessened by ignoring it. We are now at war because we refused to believe that the guns pointed at our heads by Italian, Japanese, and German fascism were loaded. The gun Hitler's puppet Franco points at our head is also loaded. Unless we take the only logical steps called for by this situation, the first shots of World War No. 3 will be fired in Spain within a generation. For if fascism survives in Spain when this war ends, it will be a fascism controlled by the German cartels who today run Spain.

The Spanish republican underground, in taking to battle for Spanish freedom, will also be fighting for the freedom of the United States. The men of the Spanish underground mean business. They are tired of facism, and they propose to fight Hitler with or without the blessing of any other nation—even if some United Nations leaders see fit to praise the fascist Franco in public.

When the republican uprising in Spain begins, the first square mile of Spanish soil to be liberated from the Nazi overlords will become the capitol of one of the countries which have—in the blood of their best people—won the right to call themselves one of the United Nations. When that rising begins, it will be our clear duty to welcome the long-suffering republican armies of Spain to our camp as allies, and to extend to them our full aid in their fight against the common enemy.

Because this rising is coming soon, and because it is now evident that this war cannot end until the Nazis and their regime are driven out of Spain, and because the military and political strategy of this war demands that the people of Spain know now that this time we shall not fail them in their battle against our common Axis enemies, I am at this time offering a resolution dealing with our policy towards Spain. In making this resolution, I urge debate and the consideration of testimony both for and against the course it advocates. I am prepared to present a vast body of evidence in support of the resolution. It is evidence which should be in the hands of all Americans who want to win this war and prevent the outbreak of a third world war which must inevitably take American lives.

TEXT OF RESOLUTION

Whereas the United Nations' invasion of Europe is the climactic military stroke of the war to end fascism; and

Whereas it has become clear that the United Nations' deaths of this war will have been in vain if German fascism is permitted to exist anywhere in the world when the war ends; and

Whereas the present Fascist government of Spain was created by the governments of Adolf Hitler and Benito Mussolini, became a formal signatory of the Axis pact in 1939, has maintained troops in the Axis army on the United Nations' eastern front since 1941; and

Whereas Francisco Franco, the nominal head of the present Spanish Government, has at all times openly and flagrantly called for a German victory over the United Nations in this war; and

June 20

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June 20, 1944 - 118. 113

7. WOOL PRODUCTION. Rep. Hill, Colo., criticized CCC's service and appraisal charges for wool inspection for producers (p. 6363).
8. FARM LABOR; HEALTH. During the discussion on aid to the physically handicapped (pp. 6406-9), Rep. Murray, Wis., stated that insurance reports show that farming is one of the most hazardous occupations (p. 6409).
9. PURCHASING; PERSONNEL. Rep. Fisher, Tex., criticized Congressional action relating to FEPC (pp. 6423-6).
10. CROP INSURANCE. Rules Committee reported a resolution for consideration of H.R. 4911 the Fulmer crop-insurance bill (p. 6426).
11. EDUCATION. Rules Committee reported a resolution authorizing the Committee on Education to study the effect of certain war activities on colleges and universities (p. 6426).

SENATE

12. WAR CONTRACT TERMINATION BILL. Agreed to Sen. Murray's (Mont.) motion to disagree to the House amendment and agree to a conference to this bill, S. 1718. Sens. Murray, Johnson, Colo., Wallgren, Gurney, and Revercomb were appointed conferees. (p. 6327).
13. PHILIPPINE ISLANDS. Concurred in the House amendment to S.J.Res. 93, declaring the policy of the Congress with respect to the independence of the Philippine Islands (p. 6327). This bill will now be sent to the President.
Concurred in House amendments to S.J.Res. 94, to establish the Filipino Rehabilitation Commission (pp. 6327-6). This bill will now be sent to the President.
14. FOOD PRODUCTION. Concurred in House amendment to S. 1634, to provide for the management and operation of naval plantations outside the U.S. (p. 6326). This bill will now be sent to the President.
15. PERSONNEL; AWARDS. Concurred in House amendment S. 1232, to provide equitable compensation for useful suggestions or inventions by personnel of the Interior Department (p. 6330). This bill will now be sent to the President.
16. NOMINATION. Confirmed nomination of Charles F. Brannan to be Asst. Secretary of Agriculture (p. 6361).
17. WAR DEPARTMENT MILITARY APPROPRIATION BILL. Began debate on this bill, H.R. 4967 (pp. 6357-61) and Sen. Ferguson, Mich., criticized appropriations for the Canal oil project, claimed that there had been millions of dollars wasted in machinery and equipment in connection with this project which could be used in U.S. forests (p. 6360).
18. WAR AGENCIES APPROPRIATION BILL. Passed with amendments this bill, H.R. 4879 (pp. 6323-6, 6328-56). Rejected, 21-33, Sen. Russell's (Ga.) amendment to strike out the provision providing appropriations for FEPC (p. 6343). Agreed to Sen. Russell's amendments (1) prohibiting use of FEPC funds to prosecute any complaint against a defendant where such defendant does not have the same right to appeal an adverse decision of the FEPC (pp. 6344-5) and (2) prohibiting the use of FEPC funds to bring about proceedings against any person or firm which might result in Federal seizure or operation of any plant of such person or firm for violating any FEPC regulation (pp. 6345-8), and (3) prohibiting any FEPC regulation having

effect of modifying any law (p. 6346).

Agreed to the Senate committee amendment to provide \$403,875 for OCD, after having agreed to Sen. Pepper's (Fla.) motion to reconsider the vote on this item and rejected his motion to restore the House figure, \$538,500 (pp. 6354-6).

19. TEXTILES. Received from the Textile Foundation Chairman the annual report for 1943. To Commerce Committee. (p. 6321.)
20. SMALL BUSINESS. Received the 12th bimonthly report of the Smaller War Plants Corporation. To Banking and Currency Committee. (p. 6321.)
21. WATER CONSERVATION. Received from the Calif. Legislature a resolution opposing a U.S.-Mexico treaty whereby the U.S. would guarantee to Mexico a part of the Colorado River waters (pp. 6321-2).
22. FARM SECURITY ADMINISTRATION. Agriculture and Forestry Committee reported with amendments H.R. 702, to permit the prepayment of the purchase price of certain housing sold to individuals by FSA (S. Rept. 997) (p. 6322).
23. SMALL BUSINESS. Banking and Currency Committee reported with an amendment S. 2004, to amend the Small Business Act (S. Rept. 999) (p. 6322).
24. FOOD ADMINISTRATION. Agriculture and Forestry Committee reported with amendments S. Res. 309, to investigate conditions prevailing in the production, processing, distribution, and marketing of agricultural commodities (p. 6322).

BILLS INTRODUCED

25. ALCOHOL INVESTIGATION. By Sen. Murdock, Utah, (for Sen. McCarran, Nev.,) S. Res. 315, increasing by \$25,000 the limit of expenditures for an investigation of the alcoholic-beverage industry. To Audit Control Committee. (p. 6322.)
26. DISBURSING OFFICERS. By Rep. Manasco, Ala., H.R. 5062, to authorize certain transactions by disbursing officers of the U.S. To Expenditures in the Executive Departments Committee. (p. 6426.)
27. PURCHASING. By Rep. Randolph, W. Va., H.R. 5063, to prohibit any Government agency from contracting with an alien or with any corporation, partnership, or other business association any officer of which is an alien. To Judiciary Committee. (p. 6426.)
28. NAVAL RESERVE. By Rep. Smith, Maine, H.R. 5967, to amend the Naval Reserve Act of 1938, so as to permit foreign service of members of the Women's Reserve under certain conditions. To Naval Affairs Committee.
29. PERSONNEL. By Rep. Clason, Mass., H.R. 5069, to remove certain discriminations against Government employees in the payment of overtime compensation. To Civil Service Committee. (p. 6427.)
30. MAIL. By Rep. Holifield, Calif., H.R. 5070, prescribing new postal rates for air mail other than the first class. To Post Office and Post Roads Committee. (p. 6427.)
31. TRAVEL. By Rep. Manasco, Ala., H.R. 5071, to amend the act to permit payments for the operation of motorcycles and automobiles used for necessary travel on official business on a mileage basis in lieu of actual operating expenses. To Expenditures in the Executive Departments Committee. (p. 6427.)

H. R. 4615. An act to establish, for the investigation and control of tuberculosis, a division in the Public Health Service, and for other purposes;

H. R. 4625. An act to extend the existence of the Alaskan International Highway Commission for an additional 4 years;

H. R. 4728. An act to amend the act entitled "An act to expedite the provision of housing in connection with national defense, and for other purposes," approved October 14, 1940, as amended;

H. R. 4780. An act to fix the fees for domestic-insured and collect-on-delivery mail, special-delivery service, and for other purposes;

H. R. 4935. An act to provide for a study of multiple taxation of air commerce, and for other purposes;

H. R. 4949. An act to amend the Second War Powers Act, 1942;

H. R. 4991. An act to remove restrictions on transfers of small craft to other American republics in furtherance of the war effort;

H. R. 4999. An act to increase the service-connected disability rates of pension for certain Regular Establishment veterans and veterans of wars prior to World War No. 1; and

H. R. 5025. An act to allow credit in connection with certain homestead entries for military or naval service rendered during World War No. 2.

HOUSE BILLS REFERRED

The following bills were severally read twice by their titles and referred as indicated:

H. R. 2654. An act to authorize the Secretary of the Interior to adjust debts of individual Indians, associations of Indians, or Indian tribes, and for other purposes; and

H. R. 3345. An act to authorize the leasing of Indian lands for business, and other purposes; to the Committee on Indian Affairs.

H. R. 2969. An act to establish official checking accounts with the Treasurer of the United States for clerks of United States courts and United States marshals; to the Committee on Expenditures in the Executive Departments.

H. R. 4405. An act to amend the act approved March 7, 1942 (56 Stat. 153), as amended (56 Stat. 1092; 50 App. U. S. C., Supp. III, 1001-1017, inclusive), so as to more specifically provide for pay, allotments, and administration pertaining to war casualties, and for other purposes; and

H. R. 4991. An act to remove restrictions on transfers of small craft to other American republics in furtherance of the war effort; to the Committee on Naval Affairs.

H. R. 4615. An act to establish, for the investigation and control of tuberculosis, a division in the Public Health Service, and for other purposes; and

H. R. 4728. An act to amend the act entitled "An act to expedite the provision of housing in connection with national defense, and for other purposes," approved October 14, 1940, as amended; to the Committee on Education and Labor.

H. R. 4625. An act to extend the existence of the Alaskan International Highway Commission for an additional 4 years; to the Committee on Foreign Relations.

H. R. 4780. An act to fix the fees for domestic insured and collect-on-delivery mail, special-delivery service, and for other purposes; and

H. R. 4949. An act to amend the Second War Powers Act, 1942; to the Committee on Post Offices and Post Roads.

H. R. 4935. An act to provide for a study of multiple taxation of air commerce, and for other purposes; to the Committee on Commerce.

H. R. 4999. An act to increase the service-connected disability rates of pension for certain Regular Establishment veterans and

veterans of wars prior to World War No. 1; to the Committee on Pensions.

H. R. 5025. An act to allow credit in connection with certain homestead entries for military or naval service rendered during World War No. 2; to the Committee on Public Lands and Surveys.

CLAIMS ARISING FROM TERMINATION OF WAR CONTRACTS

Mr. MURRAY. Mr. President, a message has just been received from the House, relating to Senate bill 1718, the war contract termination bill. The House has requested a conference. I should like to have the message laid before the Senate at this time, because the conferees on the part of the House are here in the corridor, waiting to hold a conference on the bill.

The ACTING PRESIDENT pro tempore laid before the Senate a message from the House of Representatives insisting on its amendment to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. MURRAY. I move that the Senate disagree to the amendment of the House, agree to the conference asked by the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The ACTING PRESIDENT pro tempore. The question is on the motion of the Senator from Montana.

The motion was agreed to; and the Acting President pro tempore appointed Mr. MURRAY, Mr. JOHNSON of Colorado, Mr. WALLGREN, Mr. GURNEY, and Mr. REVERCOMB conferees on the part of the Senate.

EXTENSION OF CIVILIAN PILOT TRAINING ACT

The ACTING PRESIDENT pro tempore laid before the Senate a message from the House of Representatives insisting upon its amendment to the bill (S. 1432) to extend the Civilian Pilot Training Act of 1939, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. RADCLIFFE. Mr. President, I move that the Senate disagree to the amendment of the House, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Acting President pro tempore appointed Mr. RADCLIFFE, Mr. MEAD, and Mr. BREWSTER conferees on the part of the Senate.

INDEPENDENCE OF THE PHILIPPINE ISLANDS

The ACTING PRESIDENT pro tempore laid before the Senate the amendments of the House of Representatives to the joint resolution (S. J. Res. 93) declaring the policy of the Congress with respect to the independence of the Philippine Islands, and for other purposes, which were, on page 4, line 2, to strike out "full and", and on page 4, line 6, after "authorized", to insert "after proclaim-

ing that constitutional processes and normal function of government have been restored in the Philippine Islands and."

Mr. TYDINGS. Mr. President, I should like to say that the joint resolution which has for its purpose the possible acceleration of the date of ultimate Philippine independence is one of the measures which we have just considered, to which the House made minor amendments. At the time the joint resolution was introduced in the Senate by me it was as a result of a conference with various members of the President's Cabinet, members of the Army and Navy, and members of the Filipino Cabinet, in which the President of the Philippines, President Manuel Quezon, took a leading part, as did the Vice President, Mr. Osmena.

However, in order that, so far as the joint resolution is concerned, there may be no misunderstanding of it, its intention was not to postpone, in the face of any contingency, the date for independence as set forth in the Tydings-McDuffie Act, but only if circumstances permitted it to come before that ultimate date this joint resolution would be effective insofar as that feature of the act is concerned.

In order that my own position in that respect may be clear, let me quote just one paragraph from a letter I wrote to President Manuel Quezon attempting to clarify what I thought was the situation. It is as follows:

DELEGATE ELIZALDE also spoke to me in reference to Senate Joint Resolution 93, which I personally feel should be passed by the House. I have been informed of your misgivings concerning this legislation, but I can assure you that it is my personal opinion that Senate Joint Resolution 93 does not authorize the postponement of independence beyond July 4, 1946.

Which was the date fixed in the Tydings-McDuffie Act—

The passage of this resolution will put you in a most favorable position. If the United States forces should recapture the Philippines before 1946, independence would be advanced. If the occupation should be retarded beyond July 4, 1946, independence would nevertheless be a reality on the date provided by the Tydings-McDuffie law. Such was my understanding in the conferences held in connection with and prior to the introduction of this resolution.

Thus it will be seen from the letter, as I am sure it will appear from the law, that in no case would Philippine independence come later than July 4, 1946, and if our military ventures in the Philippines make it possible to give the Filipinos independence prior to that date, it will be accorded to them prior to that date, but in neither event does the law have in mind postponing ultimate independence beyond July 4, 1946.

Mr. President, I move that the Senate concur in the amendments of the House.

The motion was agreed to.

FILIPINO REHABILITATION COMMISSION

The ACTING PRESIDENT pro tempore laid before the Senate the amendments of the House of Representatives to the joint resolution (S. J. Res. 94) establishing the Filipino Rehabilitation

Commission, defining its powers and duties, and for other purposes, which were, on page 1, to strike out lines 3 and 4 and insert "That section 13 of the act of March 24, 1934, as amended, is hereby further amended by striking out the proviso and inserting in lieu thereof the following"; on page 1, line 5, to strike out "SEC. 13"; on page 2, line 4, after "Philippines", to insert "each appointee shall serve at the pleasure of his appropriate appointing authority"; on page 2, line 24, after "present", to insert "or heretofore agreed upon"; on page 2, line 25, to strike out "replace" and insert "make adjustments for"; on page 3, line 1, to strike out all after "Japanese", down to and including "of", in line 4, and insert "in order to reestablish"; on page 3, line 23, after "be", to insert "on a per diem basis at the date of", and to amend the title so as to read: "Joint resolution to amend section 13 of Philippine Independence Act, as amended, establishing the Filipino Rehabilitation Commission, defining its powers and duties, and for other purposes."

Mr. TYDINGS. I move that the Senate concur in the amendments of the House

The motion was agreed to.

NAVAL PLANTATIONS OUTSIDE THE CONTINENTAL UNITED STATES

The ACTING PRESIDENT pro tempore laid before the Senate the amendment of the House of Representatives to the bill from the Senate (S. 1634) to provide for the management and operation of naval plantations outside the continental United States which was, to strike out all after the enacting clause and insert:

That hereafter the appropriations for the subsistence of naval personnel shall be available for any and all expenditures necessary in the management, operation, maintenance, and improvement of any plantation or farm, on land subject to naval jurisdiction outside of the continental United States, for the purpose of furnishing food and food products to the armed forces of the United States: *Provided*, That equipment, material, and supplies required therein may be purchased without regard to section 3709 of the Revised Statutes, and other laws applicable to purchases by governmental agencies: *Provided further*, That only American nationals, employees of the United States, shall be entitled to benefits under the civil-service laws, and other laws of the United States relating to the employment, work, compensation, rights, benefits, or obligations of civilian employees of the United States: *Provided further*, That surplus production over the amount furnished or sold to the armed forces of the United States and to civilians serving with the armed forces may only be sold outside the continental limits of the United States: *And provided further*, That no land shall be acquired under this authorization.

SEC. 2. This act shall remain in effect until the termination of the present war and for 6 months thereafter.

Mr. WALSH of Massachusetts. I move that the Senate concur in the amendment of the House.

The motion was agreed to.

APPROPRIATIONS FOR WAR AGENCIES

The Senate resumed the consideration of the bill (H. R. 4879) making appropriations for war agencies for the fiscal year

ending June 30, 1945, and for other purposes.

The ACTING PRESIDENT pro tempore. The question is on the amendment of the Senator from Georgia [Mr. RUSSELL] to strike out on page 10, lines 3 to 16, inclusive, as amended.

Mr. BILBO. Mr. President, I am glad to have yielded to my colleagues for this discussion. I promise the Senate not to consume much time. I had seriously considered the advisability of not speaking at all, because I discovered, in association with my colleagues, that the die had already been cast. Their minds seemed to me to have been made up, and it seemed to me that we might as well proceed to a vote. However, in order to keep the record straight, I have decided to make a few observations.

I wish to begin by referring to the June 13 issue of the Washington Post. Senators know this newspaper. They know who owns it and who fixes its policies. It is our good friend Eugene Meyer, together with his good wife. We are not surprised at the things we sometimes see in this newspaper. In fact, whatever I see in it does not disturb me.

The Washington Post for June 13 contains an editorial under the heading "Fair practices." It reads in part as follows:

Unfortunately, however, the issue has been distorted and obscured—imbued with wholly irrelevant emotional overtones and linked with complex questions of interracial relations.

In conclusion the editorial says:

The House has voted an appropriation of half a million dollars to carry on the F. E. P. C.'s work. The Senate Appropriations Committee, despite an unfavorable subcommittee report, has recommended the approval of this sum. Today the Senate as a whole will begin discussion of it. We hope that the discussion will be concerned with the real issue—not with bugbears conjured up to obfuscate it. We cannot deny to citizens of the United States equality of economic opportunity.

With this introduction I wish to state that I am convinced that a great many of my colleagues have not stopped to analyze the real meaning of this piece of legislation. There has been no attempt to "obfuscate" the issue, as the Post says. The line of discussion up to date has dealt with the legal and constitutional aspects. I think it is pretty well agreed that there is no constitutional ground upon which this appropriation could be made; that the President has exceeded his authority and powers under the Constitution; and that this agency cannot be constitutionally approved. The reason it is going to be approved is that it was conceived and brought forth in the political mind. The purpose of it is political, from beginning to end, as I propose to show.

A few years ago a Member of the House facetiously remarked that many times we vote for bills, and the next day we buy the newspapers to see what we voted for. That remark was only facetious, but there may be a suggestion of truth in it. For example, the other day we voted \$909,500 for the support of How-

ard University, in the city of Washington. The only ground upon which we could appropriate that much of the taxpayers' money would be on the general ground of public welfare. There is certainly no authority for it, unless we stretch the Constitution, as Thomas Jefferson did when he purchased the Louisiana Territory. The appropriation cannot be justified. In the reconstruction days following the Civil War, under the leadership of Thaddeus Stevens, Charles Sumner, and others of their kind who were embittered against the South and were trying to rejuvenate the black race, the idea of establishing Howard University for the higher education of the Negro was conceived, and Congress has continued from year to year to make appropriations for the support of this institution, spending nearly \$1,000,000 a year for it.

Nearly all the States in the Union in which there is a Negro population have established educational institutions for the Negroes. In Mississippi we have a very fine Negro college, supported by the State. That is all right; it should be done. But the Congress of the United States spends the taxpayers' money for only one university in America, and that is Howard University. It is exclusively for the Negro race, not for the members of the white race. That cannot be justified. It must be excused simply on the broad ground that it is good for the public welfare. But when we voted for that appropriation the other day I dare say not many Senators knew what is being done at Howard University.

I wish to read to the Senate a write-up on some of the things which are happening there:

Speaking on a program which included remarks by Representative HAMILTON FISH, of New York—

All Members of the Senate know him—Representative HAROLD KNUTSON, of Minnesota—

He is well known—Representative WILLIAM A. ROWAN, Edgar G. Brown—

Of local fame—Rev. Walter H. Brooks, Benjamin Crowson, and a splendid address by Dr. Charles R. Drew, Spingarn Medal winner and the first director of the American Blood Bank, who in giving the story of blood and blood plasma said that there is no difference between colored and white peoples' blood, Prof. William Leo Hansberry—

Note that name, please—famous anthropologist of Howard University presented interesting discoveries to a thrilled interracial audience at the monthly banquet-
forum of the Institute on Race Relations held at the Asbury Methodist Church, 11th and K Streets NW, Washington, D. C., last Thursday, April 27, 1944.

The Asbury Methodist Church is the same place at which was held a mass meeting during which there was adopted a resolution asking me to resign as chairman of the Senate Committee on the District of Columbia. I imagine about the same kind of crowd was present there when the meeting I am now referring to was held.

between the medical profession and the others is that narcotic drugs are immediately and freely available at all times to the medical doctors; therefore, a larger percentage become addicted. If we should compare the incident of narcotic addiction among nurses, for example, with school teachers or some comparable group, we would find a much more substantial addiction percentage among nurses. Likewise, if we should compare the addiction ratio among physicians' wives with that of the wives of other professional men, we would find the addiction ratio higher with doctors' wives.

Again we have the obvious common factor that narcotic drugs are more or less freely available to persons in these categories, and it is well to remember the physiological facts of addiction. Generally speaking, closely repeated doses of opiates will develop in any person an addiction; that is, physical tolerance, habituation, and dependence. However, physical dependence can be corrected by a few days of forced abstinence from opiates, but elimination of the desire to reenjoy the effects of the drug is quite another matter. A corollary of the foregoing is the brutally plain fact that addicts make addicts. The addict is in effect a center of contagion or a focus of infection just as surely as if he carried communicable virus of his dreadful affliction. What Alexander Pope said about vice generally seems to apply with special force to the phenomenon of addiction:

"Vice is a monster of so frightful mien
As to be hated needs but to be seen
Yet seen too oft, familiar with her face
We first endure, then pity, then embrace."

THE NONCRIMINAL ADDICT

In addition to the noncriminal addicted medical man or woman, or their close associates who because of the propinquity to narcotics become addicted, the number of normal persons accidentally addicted make up a very small fraction of the addict population. With present medical knowledge and alternative drugs available in some cases, few persons are accidentally addicted through medication; and if so, they offer the best prospect of a prompt cure. Few of them appear before the courts. Of course, all addicted professional people are not necessarily noncriminal. One may find criminal types here, such as the abortionist, the "thieves' doctor," and the M. D. who is primarily a drug peddler and only incidentally and secondarily in addict. Then, too, there is the alcoholic who, given opiates to straighten him out when recovering from a spree, decides the cure is worth repeating.

THE CRIMINAL ADDICT

Both logical reasoning and demonstrable facts place the great group of narcotic addicts in the category of criminals first and addicts later. Because of its dark passageways and disregard for decency and moral order, the underworld has been for many years the principal recruiting ground for new addicts in contradistinction to the law-abiding order where drugs are available only to the few. The crook and the hoodlum, the prostitute and the shoplifter are most frequently and freely exposed; therefore, their ranks logically contain a large percentage of recruits to drug addiction.

Apologists for the drug addict frequently state that "big shot" criminals are not addicts. If the proponents of this theory mean there are more addicts in the little criminal group that there are in the major offender group, they are unanswerably right because there are more "little shots" than there are "big shots" in the criminal world. For example, the Uniform Crime Reports of the Federal Bureau of Investigation show that for the 6-month period, January to June 1942, there were only 1,356 murders, 1,061 manslaughters, and 13,918 robberies; but there were 72,634 burglaries and 210,036

larcenies. Naturally, we can safely conclude more drug addicts are thieves and burglars than robbers or murderers. In his article, Lindesmith's Mythology, published in the November-December 1940 issue of the Journal of Criminal Law and Criminology, Judge Twain Michelsen refutes the observation that "big shot" criminals are not addicts and recites several pages of names and records of "big shot" addicts.

The foregoing should serve to dispel the illusion that the addict undergoes a certain amount of secondary social regression and becomes a criminal because his illicit use of drugs necessitates approach to the underworld for his supply. With few exceptions the use of narcotics is not the efficient cause of the presence of the addict in the underworld; he is usually thoroughly conversant with a dubious environment long before he becomes addicted.

In attempting to dispel the conception that the opiate addict is a "dope fiend" who is stimulated to crimes of violence, too much emphasis is placed on the soothing effects of opiates. In the Indispensable Use of Narcotics, published by the American Medical Association, Drs. E. C. Cutler and J. W. Holloway state: "It is unnecessary to emphasize the desirability of establishing such an attitude in the patient that he approaches the operative ordeal with a complete lack of apprehension. * * * Morphine lends itself to this purpose. * * * Morphine continues to be the most universally satisfactory type of preoperative medication." The drug that allows a patient to contemplate the surgeon's scalpel with equanimity also gives the irresponsible criminal a false sense of security and serves as an obvious explanation in many instances for the commission of very serious crimes.

The statement, "The long criminal records which drug addicts sometimes accumulate must be studied carefully," implies that these records arise from addiction. I agree that the records of these people should be carefully examined, but such records usually disclose a first arrest for something other than narcotics. While it is not conclusive, it gives rise to the presumption that the man was a criminal first and an addict afterward. Even where the first arrest is for narcotics, careful examination often discloses criminal or borderline activities before the narcotic agent happened to apprehend him. It is all too apparent that we have no simple medical problem with which to deal, no mere "sick" man to cure. As a matter of fact, narcotic law-enforcement officers point out that incarceration of criminal narcotic addicts frees the public from the depredations of a class of professional criminals.

I am aware there is a dangerous school of thought which regards the action of a bank robber as a tendency of protoplasm to strive to get into a more comfortable, pleasing, or suitable environment and believes that all our criminals should be dealt with by psychiatrists rather than judges, but I cannot subscribe to such a Godless doctrine. If a person joins a band of addicted confidence men and by reason of their representations, their example, or access to drugs which they supply, elects to assume the disability of drug addiction, thereby committing crimes against orderly government and establishing another link in a chain designed to pass this scourge on to others, why should he be absolved from the consequences of his acts by placing emphasis on his sickness rather than his criminality?

Dr. J. Bouquet, the French expert, in his remarks included in the papers of the twenty-fourth Meeting of Opium Advisory Committee at Geneva, Switzerland, referring to a north African situation, makes these trenchant comments:

"Nothing, I think, can be expected from methods which liken a toxicomaniac to a

sick person and not to an offender. Such methods are only applicable to the class of drug sufferers who, as the result of necessary temporary medical treatment, have become accustomed to morphine or heroin. Only such toxicomaniacs are to be pitied. * * *

"But it must not be forgotten that this class constitutes a very small group of toxicomaniacs. The majority have no desire to become cured: it consists only of depraved people who are not only useless to the community but dangerous to the public welfare because they have only one desire, that is, to find a means to satisfy their vice, however, ignoble the means to be employed to that end may be.

"In my opinion, such people should be considered not as sick people worthy of pity but as delinquents who must be prevented from causing harm and who must be treated with the greatest severity."

In a report dated July 25, 1943, on the present drug addiction situation in Tunisia, Dr. J. Bouquet states, "It is argued that the majority of the drug addicts are vicious criminals and that they deserve to be imprisoned rather than placed in hospitals."

THE HANDLING OF THE PROBLEM

Statistics for the United States Public Health Service predicated on the population of the narcotic farms as a whole convince me that prognosis with reference to effecting cures for the criminal type addict is poor, as evidenced by the continued procession of ex-Lexington or ex-Fort Worth addicts who re-enter our criminal courts. I believe the problem in this country is now primarily—I might say almost wholly—a law-enforcement matter, and resolves itself into one of control of narcotic addiction through control of illicit narcotic traffic. The medical aspects are merely incidental and supplementary. We must look to our police, our prosecutors, our courts, and our penitentiaries as the real line of defense against narcotic addiction because:

1. The best way to "cure" narcotic addicts is for the addiction never to have occurred.
2. The next most certain "cure" would be to make it impossible for the addict to obtain narcotics.
3. A corollary of successful medical and psychiatric treatment of the addict is that the "cured" patient, when placed on his own in society, finds drugs very difficult to obtain. Relapses are most frequent when drugs are most accessible.

THE PROSECUTOR AND THE COURT

An alert prosecutor interested in his work has at all times the opportunity to bring before a tribunal first-line criminals, such as the notorious gangsters commonly referred to as "Murder, Incorporated," as well as the street peddler, the store stick-up man, the burglar, the prescription forger, the medical man who prostitutes his profession to cater to the appetite of addicts, and the contemptible thief who would steal the pocket-book of a scrub woman in order to satisfy his appetite for drugs. Sometimes the frankness of a minor drug peddler discloses another whose operations frequently cover several continents. The purpose, aim, and object of duly constituted authority should be the control and flow of narcotic drugs so that they will be available for the deserving, sick patient under proper medical control and not for the trafficker and the ordinary addict.

That I have no time nor patience with the sociologist who preaches only the doctrine of hospitalization for the addicted drug peddler must be self-evident to anyone who reads this article. The circumstance of sending a defendant to the penitentiary for a long term instead of to the Public Health Service Hospital for a short term, does not indicate abandonment of all hope of curing his addiction.

THE FUNCTION OF UNITED STATES PUBLIC HEALTH SERVICE

Hospitals are desirable and necessary experimental stations, and public-health hospitals offer the best known techniques for the treatment of the narcotic habit. While they have not developed nor accepted claims of any quick or easy cure for drug addiction, they have protected victims, indigent or otherwise, from the uninformed, the quacks, and the charlatans. We should be ever watchful, however, lest the admission of a great many underworld characters to such narcotic hospitals destroys their real purpose and character and becomes a frustration to law enforcement. These institutions then become "country clubs" where big or little criminals can sojourn for a few months in idyllic surroundings with much better food than is available to the law-abiding citizen. We are simply "shadow boxing" with the narcotic problem if the drug peddlers are to be turned back every 6 months or so to resume activity, contaminate others, and to act as mechanical rabbits for the minions of the law to pursue.

ROLE OF THE PROBATION OFFICER

If the facts of a defendant's background are not already apparent, the presentence investigation of a probation officer with adequate knowledge of narcotic traffic will, of course, be of considerable assistance to the court. As to the addict on probation, it is not necessary to tell a probation officer who has had extended experience with narcotic addicts that, unless carefully selected, they represent a most difficult and perplexing problem. If the probationer has been a peddler, he not only has an urge to return to his addiction, but—as pointed out—he has been engaged in a crime, which in the addict or nonaddict, brings about a high degree of recidivism. In addition, he is likely to have behind him many years of other professional crime. Schooled in dissimulation, he may outwardly appear to be making a successful probation, while actually he has reverted to the peddling of drugs, to other crimes, and to his addiction.

I do not mean to be understood as discouraging the idea of probation for these people, for occasionally the probation officer may receive an addict whose period of supervision will be entirely satisfactory. What I intend to convey is that subjects for probation should be carefully chosen.

CONCLUSION

Within the space allotted I have tried to give the reader a full and fair picture of the narcotic problem as it applies to the Federal law enforcement. I have been disturbed at the attitude of some writers who have not hesitated to attack the whole structure of the Harrison Narcotic Act and who have not been unwilling to advance their dangerous philosophies in this most important field of endeavor. We cannot permit false sentimentality and the "sick man" concept to break down our law-enforcement efforts. We cannot tolerate any experimentation or trifling with the administration of our narcotic laws, Federal or State. Such an unfortunate happening would do irreparable damage to our civilization. The Harrison Narcotic Act and the Narcotic Import and Export Act are very efficacious laws. They are a part of the golden treasury of laws that help to preserve our social order and we should resist with all the power at our command any attempt to interfere with their proper administration.

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Settle Promptly and Equitably Claims and Convert to Peacetime Production

SPEECH

OF

HON. JOHN M. ROBSION

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Saturday, June 17, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill to provide for settlement of claims arising from termination of war contracts, and for other purposes.

Mr. ROBSION of Kentucky. Mr. Chairman, Senate bill 1718 before us provides for the settlement of claims arising from terminated war contracts. The Seventy-eighth Congress has considered many very important bills. None is of more importance than the bill before us. Can we all fully comprehend its far-reaching provisions? It cannot be such a simple problem as some of its advocates would have us believe. Up to the present time there have been let by the various agencies of the Government war contracts totaling more than two hundred billion. If this war should continue another year, it is likely there will be additional contracts involving at least fifty billion more. Many of these contracts will have been terminated and others will be terminated before the war ends, but I think we can safely say that contracts that will not be terminated or settled before the war ends will total more than two hundred billion. There are between one hundred thousand and two hundred and fifty thousand prime or principal contractors and more than a million subcontractors. The war supplies covered by these contracts were furnished by more than seventy thousand individuals or business concerns of various kinds. We have nearly fifty-five million workers in this country—more than two-thirds, or about thirty-five million of these workers are engaged in war production. It can be seen at once what a very comprehensive and complicated problem it is to write a law dealing with all of these individuals and firms, thirty-five million workers, and involving more than two hundred billion, in changing from production of munitions of war to consumer-goods production for peacetime.

Industry, agriculture, labor, commerce, and communications have been scrambled together and geared to meet the requirements of carrying on a global war. The people of this country have never been so disrupted in their social and economic life as they are today. How to unscramble our economic and social life and get back to a peacetime economy presents a most staggering problem.

The purposes of this act are stated in section 1-A and other subsections—to facilitate maximum war production during the war and to expedite reconversion from war production to civilian production as war conditions permit; B, to assure prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and to provide adequate interim financing until such final settlement.

The paramount duty of the Congress and the American people is to win the war as speedily as possible. There must be no let-up in all such war production as may be necessary to bring a speedy victory to ourselves and our allies. The Government insists that war contractors speed ahead. The war will likely terminate abruptly, and from the termination of the war the Government will halt war production abruptly. Many of these contractors and subcontractors will have a just and equitable claim against the Government. The problem would be much easier if we knew when the war would close and we could make more definite preparations to meet the economic shock, but there is quite a difference of opinion as to when the war will end in Europe. Since it has become reasonably certain that we can and will hold our beach heads and continue our progress on the western front in Europe, I have interviewed approximately 75 to 80 Members of the House individually, and have put the question squarely to them as to when the war will end in Europe. I was surprised at the responses I received. I talked with Democrats and Republicans and members of various important committees of the House. These included some members of the Naval, Military, and Foreign Affairs Relations Committees of the House. There was one member who fixed the end of the war in 30 days and quite a number by July 4. A greater number fixed it at 60 days or before Labor Day. An overwhelming majority of those with whom I talked fixed the end of the war before November 15. Only four believed that the war in Europe would continue into 1945. These optimistic opinions are reflected in the press, radio, and among high officials in governmental circles here and in Europe.

In view of the progress made by the Allied armies closing in on Germany from the south through Italy and the Balkans, and the Russians on the east through the Balkans, Poland, and Finland, and the English, the Americans, French, and other Allied armies from the west, the Germans must soon be convinced of the hopelessness of their chances of winning the war. We are all praying and hoping that these predictions will materialize. Yet, the fact remains that no one knows when the war will end. In the meantime there can be

no let down in our efforts in supplying war materials and munitions to prosecute the war with accelerated rather than reduced speed. We feel that those charged with the war production must constantly be on the alert to terminate war contracts just as soon as they may be done in safety to our country, and convert the various plants into peacetime production.

JOBS AND CONSUMER GOODS

Today there is a great demand, amounting to tens of billions worth of peacetime consumer goods of every kind and character. Some of these war plants and their materials on hand can readily be turned into the production of consumer goods but many of them will require time to convert their plants from war production to consumer goods production. The program provided for in this bill is intended to expedite that conversion, and when these prime and sub-contractors have sustained a real loss on account of not being permitted to carry on their contracts and use their war materials in making war munitions, they will receive just and equitable consideration and settlements of such claims. Prompt conversion of these plants and materials to peacetime production must not be delayed in order that jobs may be available for the 35,000,000 or more workers engaged in war production and the millions of American service men and women who will be coming home to take up normal peacetime pursuits. There need not be and must not be an economic collapse following the war. The American people have tens of billions to spend for essential peacetime requirements. In making proper conversion, we will provide for the needs of the American people and at the same time provide jobs for the millions of workers at salaries and wages in keeping with the high standard of American living.

THE COMPTROLLER GENERAL AND GENERAL ACCOUNTING OFFICE

I became a Member of the House soon after the close of World War No. 1. The radio and press day by day, as well as Members of the House and Senate, disclosed many frauds. The Republicans were in control of the House and Senate. The Graham committee was appointed. After weeks of investigation this committee made a report that shocked the country. This led to the passage of an act creating the General Accounting Office and providing for the appointment of the Comptroller General who would hold the office for a period of 15 years. This was an agency and officer responsible alone to the Congress. He could not be removed by the President. His term of office was 15 years. He could be free from political influences. It was the duty of the Comptroller General and his office to investigate and pass upon the legality of all claims presented against the United States Government. The Comptroller Generals have been outstanding and capable men. It is difficult to say how much money this office and the Comptroller Generals have saved our country. The present Comptroller General is the Honorable Lindsay Warren, a man of unusual ability and of the

highest character, who served many years in the House.

My objection to the bill before us is that it eliminates the General Accounting Office and the Comptroller General in investigating and passing on the claims that will be presented against the Government involving more than one million contracts and more than two hundred billion in war contracts. It creates a new bureau, headed by a Director, whose salary is \$12,000 a year, giving him authority to appoint those under him. We are told there are now being assembled and trained at least 30,000 men and women. The only limitation is that this Director cannot pay more than \$10,000 a year to any one person. There is no telling how many more thousands may be employed by this Director. Of course, the President will appoint one of his New Deal friends and this New Deal Director will appoint all of these other thousands of officers and employees under him and fix their salaries and, no doubt, practically all of these will be New Dealers.

Now, under this bill, the contractors and this Director and his group will settle the claims arising under these contracts. This Director has the power to set up an advisory board made up of certain members of the Cabinet and others. There we will have the contractors and the persons with whom they made the contracts passing on these settlements. It will be no less than human nature for the officials representing our Government to approve what they have done. I think there should be some disinterested person to sit in on these settlements. I think the Comptroller General or his representative should be a member of that advisory board. In fact, it seems to me that it would be only fair to the taxpayers of this country that the Comptroller General should have some say in approving these settlements which must involve billions. I think it has been made quite clear that such an arrangement would not delay the adjustment of these claims and the conversion of these war-production plants into peacetime production.

I don't like the idea of creating a new bureau with tens of thousands of officeholders placed upon the backs of the American people. There are already about 3,250,000. I shall continue to vote and make every effort possible to have this work performed by the General Accounting Office under the leadership of the Comptroller General, and it is proposed in amendments now before us that if the Comptroller General fails to approve any settlement within 6 months, it shall be considered as closed. I may vote for this measure because of the great necessity of there being a set-up to handle these war contracts when the war closes. I am strongly of the opinion there will be a change of administrations, that will do justice to the claims of each and every contractor, eliminate any fraudulent claims, and to prevent this Bureau from becoming one of the greatest and most powerful in the Government and at the same time protect the taxpayers of the country.

PROTECT AMERICAN PEOPLE

Before the end of this war millions and millions of American citizens will have sacrificed in one form or another and hundreds of thousands of them will have given their lives and more than a million will have sacrificed their health, and tens of thousands of others will have lost their businesses in winning this war. Now those who have remained behind the lines and have had Government contracts should not be permitted to get rich out of this war. One part of our population should not be permitted to take all of the profits while the other part sacrifices. Each of us should be willing to bear our full share of the sacrifice. I have as much faith in the average businessman and supplier of war materials and munitions and our public officials as any other Member of Congress.

In our haste in settling these claims we should not close our eyes to the fact that some men and some concerns have accumulated great wealth in this war as well as the other World War. Some concerns have made more than 1,000 percent profit and many others more than 100 percent profit. The accumulated sworn testimony before the Truman committee, the Committees on Military and Naval Affairs has shown conclusively that there are a number of companies and their officials and some of our own public officials who have been indicted and convicted for furnishing defective war equipment for our armed services and who have made enormous profits out of this war under the cost-plus and the percentage basis contracts.

The Military Affairs Committee, in a recent report, tells the story of one Col. Theo. Wyman, who had charge of the secret and important defenses at Pearl Harbor, on or about January 1, 1941, who let contracts to a German alien for one hundred and twenty-five million. This German alien and his associates agreed to put in certain alarm devices at Pearl Harbor within 6 months. He delayed, and these important defenses were not installed at the time of the attack on Pearl Harbor on December 7, 1941. If these had been installed, officers and men at Pearl Harbor would have been warned in ample time to have avoided that terrible assault, the destruction of our fleet, our bombers, planes, and the death of nearly 4,000 American officers and men. For more than a year there had been bitter feeling between the United States and Germany as well as Japan, yet this German alien was given the contract for this important and highly secret work. It appeared that no one but this German alien and his associates could secure a contract from Colonel Wyman. On the night of the attack on Pearl Harbor Colonel Wyman spent the night at the home of this German alien, drinking and carousing, and he appeared after the assault began without being properly dressed. Instead of being court-martialed, he was awarded the Distinguished Service Cross. General Short and Admiral Kimmel had full charge at Pearl Harbor. The administration has consistently resisted their being court-martialed.

PRIVATE ENTERPRISE AND JOBS

I desire to see this conversion made as speedily as possible to provide the 55,000,000 or more of American workers and also our service men and women with jobs in private enterprise. In fact, the Government cannot furnish jobs for sixty or more million men and women after the war. This alone must be accomplished by private enterprise. I am anxious to see all of these enterprises now controlled by the Government and engaged in war production take up the job of peacetime production as private enterprises, provide real, honest-to-god American jobs, with real wages in keeping with the American high standards of living as they must be furnished by private enterprise. The system of Government doles cannot provide the jobs and American workers should not be subjected to the humiliation of the dole job system. These contract settlements should be made speedily and equitably in the interest of promoting private enterprise, but we must also remove the shackles placed on private enterprise by the powerful bureaucracy built up under this administration, and we must fix our tax rates so as to encourage the investments of our people in productive private enterprise. The American people will not put their capital and their savings into job-producing private enterprises if they must assume all the risks and see a wasteful bureaucracy take away all of the profits. If the American people are given a fair opportunity, I have every reason to hope with a great demand for consumer goods and services our country can and will experience a substantial boom after the war. The American people and private enterprise must be freed from the bonds of this overgrown "tax and spend" bureaucracy that now has the Nation in its clutches.

I Am An American Day

EXTENSION OF REMARKS
OF

HON. GEORGE G. SADOWSKI

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 20, 1944

Mr. SADOWSKI. Mr. Speaker, under leave to extend my remarks in the RECORD, I wish to include the following address of Mr. Edward J. Shaughnessy, special assistant to the Commissioner of Immigration and Naturalization, delivered at Boston, Mass., on Sunday, May 21, 1944, on the occasion of the celebration of I Am An American Day:

I am always happy to find a reason to come to my native State and revive the friendships of another day, but I am particularly happy to be here today—I Am An American Day—to participate in a fete honoring those among us who have achieved the full rights of citizenship by reaching their twenty-first birthday, and those who have voluntarily sought and have been granted American citizenship by process of naturalization.

I can think of no better way of beginning these brief remarks than by quoting from the President's message setting aside

this day as I Am An American Day. I quote:

"Whereas our Nation has been enriched, both spiritually and materially, by the naturalization of many thousands of foreign-born men and women, and by the coming of age of great numbers of our youth, who have thereby achieved the full stature of citizenship; and

"Whereas these citizens have strengthened our country by their services at home and on the battlefield:

"Now, therefore, I, Franklin D. Roosevelt, President of the United States of America, pursuant to the aforesaid public resolution, do hereby designate Sunday, May 21, 1944, as I Am An American Day, and do set that day aside as a public occasion for the honoring of American citizenship by giving special recognition to all of our citizens who have attained their majority or have been naturalized during the past year; and I call upon Federal, State, and local officials, and patriotic, civic, and educational organizations to plan and hold, on or about May 21, exercises designed to assist our citizens, both native-born and naturalized, to understand more fully the great privileges and responsibilities of citizenship in our democracy."

With these words, in part, the President of the United States proclaimed today as one to be set aside for an inventory of the rights, duties, and responsibilities which comprise citizenship of the United States. Perhaps never before in the history of this country has an evaluation of that status been of such paramount importance.

The historical background of this day is intensely interesting and shows gradual development in awareness of the value of citizenship. These ceremonies for new citizens, especially for those who are citizens through naturalization, are not new. Twenty-nine years ago, almost to the day, President Woodrow Wilson appeared at a great reception for several thousand naturalized citizens at Philadelphia. In that inspiring address he spoke of the gifts brought to this country by immigrants and of the ideals on which our Government is based. In speaking of the birth of America, he said:

"America was created to unite mankind by those passions which lift and not by the passions which separate and debase. * * * We came to America, either by ourselves or in the persons of our ancestors, to better the ideals of men, to make them see finer things than they had seen before, to get rid of the things that divide, and to make sure of the things that unite."

And in another part of that famous speech, President Wilson said:

"I was born in America. You dreamed dreams of what America was to be, and I hope you brought those dreams with you. No man that does not see visions will ever realize any high hope or undertake any high enterprise. Just because you brought dreams with you, America is more likely to realize dreams such as you brought. * * *

"A nation that is not constantly renewed out of new sources is apt to have the narrowness and prejudice of a family; whereas, America must have this consciousness, that on all sides it touches elbows and touches hearts with all the nations of mankind."

I take pride in recalling that my four grandparents came to America from Ireland about 100 years ago, bringing those dreams with them, and settled in eastern Massachusetts. They, and three succeeding generations have lived—and are living—to realize the fruits of those dreams.

No single individual and no one group can really claim credit for the origin of this occasion because it goes back to ancient days.

On May 3, 1940, the Congress of the United States passed a public resolution setting aside the third Sunday in May of each year as I Am An American Day, so that our people

might join together to pay tribute to citizenship of this country.

On this occasion, the opportunity to speak for the American people in welcoming our country's new citizens into our ranks is an honor which I feel deeply. And in this event—one of the most typically American that it would be possible to imagine—I am not alone in the consciousness of honor. Pride in being able to greet the year's newcomers into our national electorate is shared by millions of other Americans. For this observance—which is unlike anything held in any other country on earth—is democratic in its very essence. On this day, among the millions who make up our Nation's citizenry, young or old, known or obscure, the honor are even.

During the past year the United States has enlarged its voting body by some 2,400,000 persons. It is for the purpose of giving formal recognition to their new status and of reminding them—and ourselves as well—of the precious rights and the solemn obligations which that status embodies, that we gather in response to a proclamation by our President designating this third Sunday in May as I Am An American Day.

The great majority of these 2,400,000 new voters are Americans by birth. The right to vote comes to them on attainment of the age of 21 years. Of these, there have been about 2,000,000 during the past year. They are Americans by birth, though I think I am quite safe in saying that among these young men and women there is not one who, if the choice were offered, would not choose to be an American, or who, indeed, would not defend that preference with life itself. At this moment, across the seas, many thousands of these young people are doing exactly that. On this I Am An American Day, we give them greeting, with a prayer that God will help us speed the day when they will be with us again to enjoy, in victory, those precious rights which they have preserved.

Along with these native-born Americans, we have also accepted into our citizenship during the past calendar year, 397,684 persons who were not born in this country and who had previously owed no formal allegiance to our Government. Having lived among us, having witnessed the working of our democracy, and having come to the decision that they would rather be a part of that democracy than of any other national entity on earth, these foreign-born residents in America have, of their own accord and with the consent of the United States Government, taken the action necessary to become citizens. They have met the prerequisites for naturalization; they have taken the oath of allegiance; and they now share equally the privileges and the obligations of all American citizens.

Thus these 397,684 new Americans are Americans solely by choice. Of their own volition they have sworn to renounce "absolutely and entirely" any allegiance to a foreign state and to "support and defend the Constitution and laws of the United States of America against all enemies, foreign and domestic."

Long before they took that oath, these residents of America knew that our country was a community of free citizens. If the world were to be swept into conflict over the issue of man's freedom, they knew which side this Nation would take. Had they so wished, there was opportunity then to change their decision. Until the oath is taken, an application for American citizenship can be abandoned at any time. But war did come, a war over the issue of man's freedom—or man's domination. And as the design of the aggressors took in the entire world as its field, it was inevitable that this Nation should be attacked and that it should join the fight for the preservation of freedom.

June
21

June 21, 1944 - No. 116

- acquired or owned by the U.S. prior to July 2, 1940 and insert a provision that the Secretary of War shall not be authorized to sell any military post, or reservation, nor part thereof, acquired or owned by the U.S. prior to July 2, 1940 (p. 6442). Sens. Thomas of Okla., Hayden, Overton, Russell, Truman, Reynolds, Bridges, Gurney; and Brooks and Reps. Snyder, Starnes, Mahon, Powers, Engel, and Case were appointed conferees.
18. POST-WAR PLANNING. Sen. McClellan, Ark., discussed and urged careful consideration of post-war planning policies (pp. 6438-41).
 19. STATE, JUSTICE, AND COMMERCE APPROPRIATION BILL. Agreed to the House amendment providing that none of the census of agriculture funds shall be used for field work in connection with such census prior to Jan. 1, 1945 (p. 6455) after the House had receded and concurred in the Senate amendment with the above mentioned amendment (p. 6470-1, 6473-5).
 20. SECOND DEFICIENCY APPROPRIATION BILL. Sen. McKellar, Tenn., received unanimous consent to file the Appropriations Committee report on this bill, H.R. 5040, and discussed the status of the other appropriation bills (p. 6449).
 21. D.C. APPROPRIATION BILL. Passed with amendments this bill, H.R. 4861, (pp. 6445-9, 6513). (For provisions of this bill see Digest 93) Sens. O'Mahoney, Glass, Overton, Thomas of Okla., Bilbo, Nye, Holman, and Burton and Reps. Coffee, Anderson of N.Mex., Norrell, Whitten, Stefan, Dworshak, and Jensen were appointed conferees.
 22. IRRIGATION; RECLAMATION; ELECTRIFICATION. Sen. O'Mahoney, Wyo., inserted the President's letter to Sen. Overton relating to the method in which the Commerce Committee is handling the river and harbor and the flood control bills (p. 6453).
 23. NOMINATION. Confirmed the nomination of Ivy W. Duggan to be Governor of FCA (p. 6454).
 24. WAR CONTRACTS TERMINATION BILL. Both Houses received the conference report on this bill, S. 1718, and the Senate agreed to it (pp. 6459-66, 6500-8).
 25. GASOLINE SHORTAGE. Special Committee to Investigate Gasoline and Fuel-Oil Shortages was authorized to file a report during recess (p. 6455).
 26. SUGAR ACT EXTENSION. Sen. O'Mahoney, Wyo., announced that the President had signed this bill, H.R. 4833, to extend the provisions of the Sugar Act of 1937 and the taxes relating thereto, and commended Congressional action on this bill (p. 6454).

BILL APPROVED BY THE PRESIDENT

27. SUGAR ACT EXTENSION. H.R. 4833, to extend until 1946 the provisions of the Sugar Act of 1937 and until 1947 the taxes relating thereto. Approved June 20, 1944 (Public Law 345, 78th Cong.).

BILLS INTRODUCED

28. VETERANS; REHABILITATION; EDUCATION. By Rep. Dondero, H.R. 5079, to provide vocational training and retraining programs for the readjustment of veterans, and workers demobilized from war production plants, and to further extend the program of vocational education. To Education Committee. (p. 6535.)

- 4 -
29. REGULATORY FUNCTIONS; ADMINISTRATIVE PROCEDURE. By Rep. Sumners, Tex., H.R. 5081, and Sen. Eastland, Miss.; S. 2030, to improve the administration of justice by prescribing fair administrative procedure. To Judiciary Committee. (p. 6535.)
 30. PROPERTY MANAGEMENT. By Rep. Voorhis, Calif., H.R. 5082, to establish a National Surplus Property Disposal Board. To Expenditures in the Executive Departments Committee. (p. 6535.)
 31. EDUCATION. By Rep. Cole, N.Y., H.R. 5083, to provide for cooperation with the States in the promotion of moral, temperance, and character education. To Education Committee. (p. 6535.) Remarks of author (pp. 6516-7).
 32. RURAL ELECTRIFICATION. By Sen. Lucas, Ill., S. 2029, to provide for the planning of rural electrification projects. To Agriculture and Forestry Committee. (p. 6430.)

COMMITTEE HEARINGS Released by G.P.O.

33. APPROPRIATIONS. H.R. 4967, War Department military appropriation bill, and H.R. 4861, D.C. appropriation bill. Senate Appropriation Committee.
34. POST-WAR PLANNING. S. 1730 and S. 1893, Mobilization and Demobilization. Pt. 8. Senate Military Affairs Committee.
35. EXECUTIVE AUTHORITY. Pursuant to H. Res. 102, establishing a select committee to investigate acts of executive agencies. Pt. 1. House Special Committee to Investigate Executive Agencies.
36. TRANSPORTATION; POST-WAR PLANNING. H.R. 2426, to provide Federal aid for post-war highway construction. Vol. 2. House Roads Committee.

ITEMS IN APPENDIX

37. CROP INSURANCE. Extension of remarks of Rep. Murray, Wis., concerning the crop insurance program, urging favorable consideration of H.R. 4911, the Fulmer crop insurance bill, and inserting a BAE letter showing the production and value of the most important crops of 1943 (pp. A3490-1).
38. WATER UTILIZATION. Extension of remarks of Rep. Mansfield, Mont., including a Montana Standard editorial urging studied consideration of the Missouri River problem (pp. A3493-4).
39. VETERANS' BENEFITS. Extension of remarks of Rep. Hill, Colo., including a statement giving detailed information on legislation for veterans and their dependents (pp. A3503-6).
40. RIVERS AND HARBORS BILL. Extension of remarks of Rep. White, Idaho., including his speeches and letters favoring construction of dams on the Snake River which will make navigation possible (pp. A3470-75).
41. TRANSPORTATION. Sen. Gillette, Iowa, inserted Sen. McCarran's (Nev.) address before the American Trucking Association concerning the growth and value of motor transportation and urging free enterprise for transportation facilities (pp. A3467-8).

SETTLEMENT OF TERMINATED WAR CONTRACTS

JUNE 21, 1944.—Ordered to be printed

Mr. SUMNERS of Texas, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 1718]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

OBJECTIVES OF THE ACT

SECTION 1. The Congress hereby declares that the objectives of this Act are—

(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement;

(c) to assure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing;

(d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;

(e) to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;

(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

SURVEILLANCE BY CONGRESS

SEC. 2. (a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act.

(b) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his duties and authority under this Act, the status of contract terminations, termination settlements, and interim financing and such other pertinent information on the administration of the Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

DEFINITIONS

SEC. 3. As used in this Act—

(a) The term "prime contract" means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term "prime contractor" means any holder of one or more prime contracts.

(b) The term "subcontract" means any contract, agreement, or purchase order heretofore or hereafter entered into to perform any work, or to make or furnish any material to the extent that such work or material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term "subcontractor" means any holder of one or more subcontracts.

(c) The term "war contract" means a prime contract or a subcontract; and the term "war contractor" means any holder of one or more war contracts.

(d) The terms "termination", "terminate", and "terminated" refer to the termination or cancelation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

(e) The term "material" includes any article, commodity, machinery, equipment, accessory, part, component, assembly, work in process, maintenance, repair, and operating supplies, and any product of any kind.

(f) The term "Government agency" means any executive department of the Government, or any administrative unit or subdivision thereof, any independent agency or any corporation owned or controlled by the United States in the executive branch of the Government, and includes any contracting agency.

(g) The term "contracting agency" means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board.

(h) The term "termination claim" means any claim or demand by a war contractor for fair compensation for the termination of any war contract and any other claim under a terminated war contract, which regulations prescribed under this Act authorize to be asserted and settled in connection with any termination settlement.

(i) The term "interim financing" includes advance payments, partial payments, loans, discounts, advances, and commitments in connection therewith, and guaranties of loans, discounts, advances, and commitments in connection therewith and any other type of financing made in contemplation of or related to termination of war contracts.

(j) The term "Director" means the Director of Contract Settlement.

(k) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(l) The term "termination inventory" means any materials (including a proper part of any common materials), properly allocable to the terminated portion of a war contract, except any machinery or equipment subject to a separate contract specifically governing the use or disposition thereof.

(m) The term "final and conclusive", as applied to any settlement, finding, or decision, means that such settlement, finding, or decision shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of the United States or in any suit, action, or proceeding except as provided in this Act.

DIRECTOR OF CONTRACT SETTLEMENT

SEC. 4. (a) There is hereby established the Office of Contract Settlement which shall be headed by the Director of Contract Settlement. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per year. and shall serve for a term of two years.

(b) In order to insure uniform and efficient administration of the provisions of this Act, the Director, subject to such provisions, by general orders or general regulations—

(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this Act; and

(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this Act.

(c) *The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this Act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section. Each Government agency shall carry out such orders and regulations of the Director expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary to carry out the policies, principles, methods, procedures, and standards prescribed by the Director. Any Government agency may issue such further regulations not inconsistent with the general orders or regulations of the Director as it deems necessary or desirable to carry out the provisions of this Act.*

(d) *The Director may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel in accordance with the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this Act. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may appoint a Deputy Director and may employ certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and fix their compensation, and contract with certified public accounting firms and qualified firms of engineers in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this Act. The Director shall perform the duties imposed upon him through the personnel and facilities of the contracting agencies and other established Government agencies, to the extent that this does not interfere with the function of the Director to insure uniform and efficient administration of the provisions of this Act.*

(e) *All orders and regulations prescribed by the Director or any Government agency under this Act shall be published in the Federal Register.*

CONTRACT SETTLEMENT ADVISORY BOARD

SEC. 5. *There is hereby created a Contract Settlement Advisory Board, with which the Director shall advise and consult. The Board shall be composed of the Director, who shall act as its Chairman, and of the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the chairman of the board of directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the chairman of the board of directors of the Smaller War Plants Corporation, and the Attorney General or any alternate or representative designated by any of them. The Director shall request other Government agencies to participate in the deliberations of the Board whenever matters specially affecting them are under consideration.*

SEC. 6. (a) *It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, to provide war contractors with speedy and fair compensation for the termination of any war contract, in accordance with and subject to the provisions of this Act, giving priority to contractors whose facilities are privately owned or privately operated. Such fair compensation for the termination of subcontracts shall be based on the same principles as compensation for the termination of prime contracts.*

(b) Each contracting agency shall establish methods and standards, suitable to the conditions of various war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work under the terminated contract, or on any other equitable basis, as it deems appropriate. To the extent that such methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

(c) Any contracting agency may settle all or any part of any termination claim under any war contract by agreement with the war contractor, or by determination of the amount due on the claim or part thereof without such agreement, or by any combination of these methods. Where any such settlement is made by agreement, the settlement shall be final and conclusive, except (1) to the extent otherwise agreed in the settlement; (2) for fraud; (3) upon renegotiation to eliminate excessive profits under the Renegotiation Act, unless exempt or exempted under that Act; or (4) by mutual agreement before or after payment. Where any such settlement is made by determination without agreement, it shall likewise be final and conclusive, subject to the same exceptions as if made by agreement, unless the war contractor appeals or brings suit in accordance with section 13 of this Act: Provided, That no settlement agreement hereunder involving payment to a war contractor of an amount in excess of \$50,000 (or such lesser amount as the Director may from time to time determine) shall become binding upon the Government until the agreement has been reviewed and approved by a settlement review board of three or more members established by the contracting agency in the bureau, division, regional or district office, or other unit of the contracting agency authorized to make such settlement, or in the event of disapproval by the settlement review board, unless approved by the head of such bureau, division, regional or district office, or other unit. Failure of the settlement review board to act upon any settlement within 30 days after its submission to the board shall operate as approval by the board. The sole function of settlement review boards shall be to determine the over-all reasonableness of proposed settlement agreements from the point of view of protecting the interests of the Government. In determining, for purposes of this subsection, whether review of any settlement agreement is required because of the amounts involved, no deduction shall be made on account of credits for property chargeable to the Government or for advance or partial payments, but amounts payable under such settlement agreement for completed articles or work at the contract price and for the discharge of the termination claims of subcontractors shall be deducted.

(d) Except as hereinafter provided, the methods and standards established under subsection (b) of this section for determining fair compensation for termination claims which are not settled by agreement shall be designed to compensate the war contractor fairly for the termination of the war contract, taking into account:

(1) the direct and indirect manufacturing, selling and distribution, administrative and other costs and expenses incurred by the war contractor which are reasonably necessary for the performance of the war contract and properly allocable to the terminated portion thereof under recognized commercial accounting practices; and

(2) reasonable costs and expenses of settling termination claims of subcontractors related to the terminated portion of the war contract; and

(3) reasonable accounting, legal, clerical, and other costs and expenses incident to termination and settlement of the terminated war contract; and

(4) reasonable costs and expenses of removing, preserving, storing and disposing of termination inventories; and

(5) such allowance for profit on the preparations made and work done for the terminated portion of the war contract as is reasonable under the circumstances; and

(6) interest on the termination claim in accordance with subsection (f) of this section; and

(7) the contract price and all amounts otherwise paid or payable under the contract.

The following shall not be included as elements of cost:

(i) Losses on other contracts, or from sales or exchanges of capital assets, fees and other expenses in connection with reorganization or recapitalization, antitrust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government (except as provided in paragraph (3) above); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

(ii) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

(iii) Expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

(iv) Costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (d) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

Where the small size of claims or the nature of production or performance or other factors make it impracticable to apply the principles stated in this subsection (d) to any class of settlements which are subject to this subsection (d), the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims. The aggregate amount of compensation allowed in accordance with this subsection (excluding amounts allowed under paragraphs (3) and (4) above) shall not exceed the total contract price reduced by the amount of payments otherwise made or to be made under the contract.

(e) In order to carry out the objectives of this Act, termination claims shall be settled by agreement to the maximum extent feasible and the methods and standards established under subsection (b) of this section shall be designed to facilitate such settlements. To the extent that he deems it practicable to do so without impeding expeditious settlements, the Director shall require the contracting agencies to take into account the factors enumerated in subsection (d) above in establishing methods and standards for determining fair compensation in the settlement of termination claims by agreement.

(f) Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of $2\frac{1}{2}$ per centum per annum for the period beginning thirty days after the date fixed for termination and ending with the date of final payment, except that (1) if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue for the period of such delay, (2) if interest for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder, and (3) if after delivery of findings by a contracting agency, the contractor appeals or sues as provided in section 13, interest shall not accrue after the thirtieth day following the delivery of the findings on any amount allowed by such findings, unless such amount is increased upon such appeal or suit. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis and subject to the same conditions as are applicable to a prime contractor.

(g) Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

SEC. 7. (a) Where, in connection with the settlement of any termination claim by a contracting agency, any war contractor makes settlements of the termination claims of his subcontractors, the contracting agency shall limit or omit its review of such settlements with subcontractors to the maximum extent compatible with the public interest. Any contracting agency (1) may approve, ratify, or authorize such settlements with subcontractors upon such evidence, terms, and conditions as it deems proper; (2) shall vary the scope and intensity of its review of such settlements according to the reliability of the war contractor, the size, number, and complexity of such claims, and other relevant factors; and (3) shall authorize war contractors to make such settlements with subcontractors without review by the contracting agency, whenever the reliability of the war contractor, the amount or nature of the claims, or other reasons appear to the contracting agency to justify such action. Any such settlement of a subcontract approved, ratified, or authorized by a contracting agency shall be final and conclusive as to the amount due to the same extent as a settlement under subsection (c) of section 6 of this Act, and no war contractor shall be liable to the United States on account of any amounts paid thereon except for his own fraud.

(b) Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments to the war contractor on account of termination claims of subcontractors of such war contractor to such extent and in such manner as it deems necessary or desirable for the purpose of assuring the receipt of the benefit of such payments by the subcontractors.

(c) The Director shall prescribe policies and methods for the settlement as a group, or otherwise, by any contracting agency of some or all of the termination claims of a war contractor under war contracts with

one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. After consulting with the contracting agencies concerned, the Director may provide for assigning any war contractor to a contracting agency for such settlement, and such agency shall have authority to settle, on behalf of any other contracting agency, some or all of the termination claims of such war contractor.

(d) Any contracting agency may settle directly termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. In making such termination settlements any contracting agency may discharge the claim of the subcontractor by payment or may purchase such claim, and may agree to assume, or indemnify the subcontractor against, any claims by any person in connection with such claim or the termination settlement. Any contracting agency undertaking to settle the termination claim of any subcontractor shall deliver to the subcontractor and the war contractor liable to him written notice stating its acceptance of responsibility for settling his claim and the conditions applicable thereto, which may include the release, or assignment to the contracting agency, of his claim against the war contractor liable to him; upon consent thereto by the subcontractor, the Government shall become liable for the settlement of his claims upon the conditions specified in the notice.

(e) Any contracting agency may make settlements with subcontractors in accordance with any of the provisions of this Act without regard to any limitation on the amount payable by the Government to the prime contractor.

(f) If any contracting agency determines that in the circumstances of a particular case equity and good conscience require fair compensation for the termination of a war contract to be paid to a subcontractor who has been deprived of and cannot otherwise reasonably secure such fair compensation, the contracting agency concerned may pay such compensation to him although such compensation already has been included and paid as part of a settlement with another war contractor.

INTERIM FINANCING

SEC. 8. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, in accordance with and subject to the provisions of this Act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within thirty days after proper application therefor.

(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guaranties in connection therewith, in contemplation of or related to termination of war contracts. Where interim financing is made by advance payments or partial payments, it shall, insofar as practicable, consist of the following:

(1) An amount equal to 100 per centum of the amount payable, at the contract price, on account of acceptable items completed prior to the termination date under the terms of the contract, or completed thereafter with the approval of the contracting agency; plus

(2) *An amount equal to 90 per centum of the cost of raw materials, purchased parts, supplies, direct labor, and manufacturing overhead allocable to the terminated portion of the war contract; plus*

(3) *A reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated portion of the war contract not included in the foregoing; plus*

(4) *Such additional amounts, if any, as the contracting agency deems necessary to provide the war contractor with adequate interim financing.*

(5) *In lieu of the costs referred to in clauses (2) and (3) of this subsection, where a detailed ascertainment of such costs is not suitable to the conditions of any war contractor and is apt to cause delay in the obtaining of interim financing by him, that portion of such interim financing shall be equal to an amount not greater than 90 per centum of the estimated costs which are allocable to the terminated part or parts of the war contract or group of war contracts, and are ascertained in accordance with such methods and standards as the Director shall prescribe.*

(6) *There shall be deducted from the amount of such interim financing any unliquidated balances of advance and partial payments theretofore made to such war contractor, which are allocable to the terminated war contract or the terminated part of the war contract.*

(c) *The Director shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made including the use of standard forms for agreements with respect to such interim financing to the extent practicable; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speedy interim financing to subcontractors of the war contractor.*

(d) *In case of an overstatement by any war contractor of the amount due on his termination claim or claims in connection with any interim financing under this Act, such contractor shall pay to the United States, as a penalty, an amount equal to 6 per centum of the amount of the overstatement, but the Director may suspend or modify any such penalty if in his opinion the imposition thereof would be inequitable. Any penalty may be deducted from any amounts due the war contractor upon such termination claim or claims, or otherwise, or may be collected from the war contractor by suit. The obligation to pay any penalty imposed and to repay any interim financing made or assumed by the United States under this Act shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).*

(e) *Any contracting agency may allow any advance payments, previously made or authorized by it in connection with the performance of a war contract, to be used for payments and expenses related to the termination settlement of such contract, upon such terms and conditions as it deems necessary or appropriate to protect the interest of the Government.*

(f) *No interim financing shall be made by any contracting agency under this Act unless the terms of such financing provide for the liquidation by the war contractor of all loans, discounts, advance payments, or partial payments thereunder not later than the time of final payment of the amount due on the settlement of the termination claim or claims of the war contractor involved or such time thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.*

(g) Any contracting agency may settle, upon such terms and conditions as it deems proper, any claim or obligation due by or to the Government arising from or related to any interim financing made, acquired, or authorized by it. Any interim financing made, acquired, or authorized by any contracting agency before the effective date of this Act shall be valid to the extent it would be authorized under the provisions of this Act if made after its effective date.

SEC. 9. (a) Any contracting agency may make advance or partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such advance or partial payments by any war contractor to his subcontractors, upon such conditions as it deems necessary to insure compliance with the provisions of subsection (b) of this section. Each contracting agency shall make final payments from time to time on partial settlements or on settlements fixing a minimum amount due before complete settlement, or as tentative payments before any settlement of the claim or claims.

(b) Where any such advance or partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, except a final payment on a partial settlement, any amount in excess of the amount finally determined to be due on the termination claim shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand together with a penalty computed at the rate of 6 per centum per annum, for the period from the date such excess advance or partial payment is received to the date on which such excess is repaid or extinguished. Where the advance or partial payment was made by a war contractor and authorized, approved, or ratified by any contracting agency, the war contractor making it shall not be liable for any such excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

SEC. 10. (a) Any contracting agency is authorized—

(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of the termination of one or more such war contracts or operations;

(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any

Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.

ADVANCE NOTICE

SEC. 11. (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, each contracting agency—

(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

(2) shall establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination; and

(3) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

(b) Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for thirty days or more, the contractor may elect to treat it as a termination by delivering written notice of his election so to do to the contracting agency, at any time before the contracting agency directs the prime contractor to resume work under the contract.

(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies.

REMOVAL AND STORAGE OF MATERIALS

SEC. 12. (a) It is the policy of the Government, upon the termination of any war contract, to assure the expeditious removal from the plant of the war contractor of the termination inventory not to be retained or sold by the war contractor.

(b) Any war contractor may submit to the contracting agency concerned or to any other Government agency designated by the Director, one or more statements showing the materials which such war contractor claims to be termination inventory under one or more war contracts and desires to have removed by the Government. Such statements shall be prepared in such form and detail, shall be submitted in such manner, through the

prime contractor or otherwise, and shall be supported by such certificates or other data, as may be prescribed under this Act.

(c) Within sixty days after the submission of any such statement by a war contractor, or such shorter period as may be prescribed under this Act, or within such longer period as the war contractor may agree, the Government agency concerned (1) shall arrange, upon such terms and conditions as may be agreed, for the storage by the war contractor on his own premises or elsewhere of all such claimed termination inventory which the war contractor does not retain or dispose of, except any part which may be determined not to be allocable to the terminated war contract or contracts, or (2) shall remove from the plant or plants of the war contractor all of such claimed termination inventory not retained, disposed of, or stored by the war contractor or determined not to be allocable to the terminated war contract or contracts.

(d) Upon the failure of the Government so to arrange for storage by the war contractor or to remove any termination inventory within the period specified under subsection (c) of this section, the war contractor, subject to regulations prescribed under this Act, may remove some or all of such termination inventory from his plant or plants and may store it on his own premises or elsewhere for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation. If any war contractor intends so to remove any claimed termination inventory, he shall deliver to the Government agency concerned written notice of the date fixed for removal and a statement showing the quantities and condition of the materials so to be removed, certified on behalf of the war contractor to have been prepared in accordance with a concurrent physical inventory of such materials. Such notice and statement shall be delivered at least twenty days in advance of the date fixed for removal and may be delivered before or after the expiration of the period specified under subsection (c) of this section. If the Government agency fails to check such materials, at or before the time of their removal by the war contractor, a certificate of the war contractor specifying the materials shown on such statement which were so removed, and filed with the Government agency concerned within thirty days after the date fixed for removal, shall constitute prima facie evidence against the United States as to the quantities and condition of the materials so removed, and the fact of their removal.

(e) Notwithstanding any other provisions of law, but subject to subsection (h) of this section, the contracting agency concerned or the Director, or any Government agency designated by him, on behalf of the United States, may, by the exercise of any contract rights or otherwise, acquire and take possession of any termination inventory of any war contractor, and any materials removed by the Government or stored for its account under subsections (c) and (d) of this section, whether or not such materials are finally determined not to constitute termination inventory. With respect to any such materials, the Government shall be liable to any war contractor concerned only for their return to such war contractor or for their disposal value at the time of their removal or for the proceeds realized by the Government from their disposal, at the election of the Government agency concerned, unless the Government agency and the war contractor agree or have agreed on a different basis. Any amount so paid or payable to a war contractor for materials allocable to a terminated war contract shall be credited against the termination claim under such contract but shall not otherwise affect the amount due on the claim, unless the Government agency concerned and the war contractor agree or have agreed

otherwise. Any materials to which the Director takes title under this section shall be delivered for disposal to any appropriate Government agency authorized to make such disposal.

(f) No contracting agency shall postpone or delay any termination settlement beyond the period specified in subsection (c) of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection (b) of this section.

(g) Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned machinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within sixty days after such demand or such other period as may be prescribed under this Act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provision for the retention, storage, maintenance, or disposition of such machinery, tools, or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this Act, may remove all or part of such machinery, tools, or equipment from his plant and may store it on his own premises or elsewhere, for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation.

(h) Nothing in this Act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any termination inventories and to retain them for their use for any purpose or to dispose of such termination inventories for the purpose of war production, or to authorize any war contractor to retain or dispose of such termination inventories for the purpose of war production.

(i) Nothing in this section shall be construed to prevent the removal and storage of any termination inventory by any war contractor, at his own risk, at any time after termination of any war contract to which it is allocable.

APPEAL

SEC. 13. (a) Whenever the contracting agency responsible for settling any termination claim has not settled the claim by agreement or has so settled only a part of the claim, (1) the contracting agency at any time may determine the amount due on such claim or such unsettled part, and prepare written findings indicating the basis of the determination, and deliver a copy of such findings to the war contractor, or (2) if the termination claim has been submitted in the manner and substantially the form prescribed under this Act, the contracting agency, upon written demand by the war contractor for such findings, shall determine the amount due on the claim or unsettled part and prepare and deliver such findings to the war contractor within ninety days after the receipt by the agency of such demand. In preparing such findings, the contracting agency may require the war contractor to furnish such information and to submit to such audits as may be reasonably necessary for that purpose.

Within thirty days after the delivery of any such findings, the contracting agency shall pay to the war contractor at least 90 per centum of the amount thereby determined to be due, after deducting the amount of any outstanding interim financing applicable thereto.

(b) Whenever any war contractor is aggrieved by the findings of a contracting agency on his claim or part thereof or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

(1) appeal to the Appeal Board in accordance with subsection (d) of this section; or

(2) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (28 U. S. C. 41 (20)), except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, or any corporation owned or controlled by the United States, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.

(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

(1) When any contracting agency provides a procedure within the agency for protest against such findings or for other appeal therefrom by the war contractor, the war contractor, before proceeding under subsection (b) of this section, (i) in his discretion may resort to such procedure within the time specified in this contract or, if no time is specified, within thirty days after the delivery to him of the findings; and (ii) shall resort to such procedure for protest or other appeal to the extent required by the Director, but failure of the contracting agency to act on any such required protest or appeal within thirty days shall operate as a refusal by the agency to modify its findings. Any revision of the findings by the contracting agency, upon protest or appeal within the agency, shall be treated as the findings of the agency for the purpose of appeal or suit under subsection (b) of this section. Notwithstanding any contrary provision in any war contract, no war contractor shall be required to protest or appeal from such findings within the contracting agency except in accordance with this paragraph.

(2) A war contractor may initiate proceedings in accordance with subsection (b) of this section (i) within ninety days after delivery to him of the findings by the contracting agency, or (ii) in case of protests or appeal within the agency, within ninety days after the determination of such protest or appeal, or (iii) in case of failure to deliver such findings, within one year after his demand therefor. If he does not initiate such proceedings within the time specified, he shall be precluded thereafter from initiating any proceedings in accordance with subsection (b) of this section, and the findings of the contracting agency shall be final and conclusive, or if no findings were made, he shall be deemed to have waived such termination claim.

(3) Notwithstanding any contrary provision in any war contract, the Appeal Board or court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that

the amount due on his claim or part thereof exceeds the amount allowed by the findings of the contracting agency. Whenever the Appeal Board or court finds that the war contractor failed to negotiate in good faith with the contracting agency for the settlement of his claim or part thereof before appeal or suit thereon, or failed to furnish to the agency any information reasonably requested by it regarding his termination claim or part thereof, or failed to prosecute diligently any protest or appeal required to be taken under subsection (c) (1) (ii) of this section, the Appeal Board or court (i) may refuse to receive in evidence any information not submitted to the contracting agency; (ii) may deny interest on the claim or part thereof for such period as it deems proper; or (iii) may remand the case to the contracting agency for further proceedings upon such terms as the Appeal Board or court may prescribe. Unless the case is remanded, the Appeal Board or court shall enter the appropriate award or judgment on the basis of the law and facts, and may increase or decrease the amount allowed by the findings of the contracting agency.

(4) Any such proceedings shall not affect the authority of the contracting agency concerned to make a settlement of the termination claim, or any part thereof, by agreement with the war contractor at any time before such proceedings are concluded.

(d) (1) The Director shall appoint an Appeal Board, composed of such number of members as he deems necessary from time to time to hear appeals under this section. The members of the Appeal Board shall be qualified and experienced attorneys, engineers, accountants, or persons possessing sufficient business experience or professional skill. He shall, without regard to the provisions of the civil-service laws and the Classification Act of 1923, appoint and fix the compensation and term of office of the members of the Appeal Board: Provided, That no member shall receive compensation at a rate in excess of \$10,000 per annum nor be appointed for a term longer than two years.

(2) Panels of one or more members may act for the Appeal Board and shall sit from time to time in localities throughout the country, reasonably convenient for war contractors having proceedings before them. A panel of one member of the Appeal Board may hear any appeal whenever (i) the amount in controversy in the appeal is \$25,000 or less; or (ii) the amount in controversy exceeds \$25,000, but the war contractor taking the appeal fails to demand a panel of three members at the time of filing his appeal. If the war contractor is aggrieved by the decision of the Appeal Board or panel (other than an order remanding the case to the contracting agency under subsection (c) (3) (iii) of this section), then within ninety days after such decision he may bring suit on the claim or unsettled part thereof in accordance with subsection (b) (2) of this section. Such suit shall proceed as if no appeal had been taken under subsection (b) of this section. All costs of such suit shall be borne by the war contractor unless the court awards such contractor an amount in excess of that allowed by the Appeal Board or panel. Upon failure of the war contractor so to sue within such period, the decision of the Appeal Board or panel shall be final and conclusive.

(3) The Director or, if authorized by him, the Appeal Board shall prescribe the practice and procedure to govern proceedings for the Appeal Board. The Appeal Board or any panel thereof shall have power to administer oaths to witnesses and to compel by subpoena the attendance of

witnesses, and the production of books, papers, documents, and other records. All provisions of law (including penalties and provisions relating to self-incrimination) applicable with respect to subpoenas issued under the Federal Trade Commission Act shall be applicable with respect to subpoenas issued by the Appeal Board insofar as such provisions are not inconsistent with the provisions of this Act.

(e) The contracting agency responsible for settling any claim and the war contractor asserting the claim, by agreement, may submit all or any part of the termination claim to arbitration, without regard to the amount in dispute. Such arbitration proceedings shall be governed by the provisions of the United States Arbitration Act to the same extent as if authorized by an effective agreement in writing between the Government and the war contractor. Any such arbitration award shall be final and conclusive upon the United States to the same extent as a settlement under subsection (c) of section 6, but shall not be subject to approval by any settlement review board.

(f) Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them, by agreement with the other, may submit the dispute—

(1) to the Appeal Board in accordance with subsection (d) of this section;

(2) to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director.

Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

COURT OF CLAIMS

SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all persons with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. If the name and address of any such person is known or can be ascertained by reasonable diligence, and if he resides within the jurisdiction of the United States, he shall be summoned to appear by personal service; but if any such person resides outside of the jurisdiction of the United States, or is unknown, or if for any other good and sufficient reason appearing to the court personal service cannot be had, he may be summoned by publication, under such rules as the court may adopt, together with a copy of the summons mailed by registered mail to such person's last known address. The Court of Claims may, upon motion of the Attorney General, in any suit or proceeding where there may be any number of persons having possible interests therein, notify such persons to appear to assert and defend such interests. Upon failure so to appear, any and all claims or

interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment *pro confesso* upon any claim or contingent claim asserted on behalf of the United States against any person who, having been duly served with summons, fails to respond thereto, to the same extent and with like effect as if such person had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any person pursuant to any such summons or notice, the case as to such person shall, for all purposes, be treated as if an independent proceeding had been instituted by such person pursuant to section 145 of the Judicial Code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and determination, with the case in respect of which the summons or notice was issued, except that the United States shall not be heard upon any counterclaims, claims for damages or other demands whatsoever against such person, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such person shall assert therein a claim, or an interest in a claim, against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

(c) The jurisdiction of the Court of Claims shall not be affected by this Act except to the extent necessary to give effect to this Act, and no person shall recover judgment on any claim, or on any interest in any claim, in said court which such person would not have had a right to assert in said court if this section had not been enacted.

PERSONAL FINANCIAL LIABILITY

SEC. 15. (a) Whenever any payment is made from Government funds to any war contractor or other person as an advance, partial or final payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment, in the absence of fraud on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

(b) For the purpose of making termination settlements or interim financing any Government agency is authorized to rely upon such certificates of war contractors as it deems proper and to permit war contractors and other persons to rely upon such certificates without financial liability in the absence of fraud on their part.

THE GENERAL ACCOUNTING OFFICE

SEC. 16. (a) Any other provision of law notwithstanding, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud. For this purpose the General Accounting Office shall have the authority to examine any records maintained by any contracting agency or by any war contractor relating to any termination settlement.

(b) Whenever the Comptroller General is convinced that any settlement was induced by fraud, he shall so certify, together with all the facts relating thereto, to the Department of Justice, to the Director, and to the contracting agency concerned. Upon receipt of such certificate (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in the opinion of the Comptroller General as stated in his certificate, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor. The General Accounting Office shall not suspend credit to any disbursing officer on any disbursements made by him under such settlement in the absence of fraud on his part.

(c) The Comptroller General may investigate the settlements completed by each contracting agency for the purpose of reporting to the Congress from time to time on—

(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this Act and the orders and regulations of the Director;

(2) whether such methods and procedures are followed by such agency with care and efficiency; and

(3) whether such methods and procedures adequately protect the interest of the Government.

If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this Act. At least thirty days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this Act except to the extent necessary to give effect to the specific provisions thereof.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

SEC. 17. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a formal contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

(c) Where a contracting agency fails to settle by agreement any claim asserted under this section, the dispute shall be subject to the provisions of section 13 of this Act.

(d) The Director shall require each contracting agency to formalize all such obligations and commitments within such period as the Director deems appropriate.

RECORDS, FORMS, AND REPORTS

SEC. 18. (a) The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud and to assure uniformity in administration and to provide for expeditious settlements. For this purpose he shall prescribe (1) such records to be prepared by the contracting agencies and by war contractors as he deems necessary in connection with such settlements and interim financing; and (2) the records in connection therewith to be transmitted to the General Accounting Office. He shall seek to reduce the amount of record keeping, reporting, and accounting in connection with the settlement of termination claims and interim financing to the minimum compatible with the reasonable protection of the public interest. Each contracting agency shall prescribe forms for use by war contractors in connection with termination settlements and interim financing to the extent it deems necessary and feasible.

(b) The Director shall require the Government agencies performing functions under this Act to prepare such information and reports regarding terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this Act, and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies. The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this Act, but any such agency, in its discretion, may furnish any such information deemed by it to affect the national security only to the Director himself.

(c) *The Director, by regulation, shall provide for making available to any interested Government agency such advance notice and other information on cut-backs in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.*

(d) *The Director shall make such investigations as he deems necessary or desirable in connection with termination settlements and interim financing. For this purpose he may utilize the facilities of any existing agencies and if he determines that the facilities of existing agencies are inadequate, he may establish a unit in the Office of Contract Settlement to supplement and facilitate the work of existing agencies. He shall report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.*

(e) *Whenever any contracting agency or the Director believes that any settlement was induced by fraud, the agency or Director shall report the facts to the Department of Justice. Thereupon, (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in its opinion, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor.*

PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

SEC. 19. (a) *It shall be unlawful for any person willfully to secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed—*

(i) *any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation or other termination, or settlement of a war contract of \$25,000 or more; or*

(ii) *any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more,*

until (1) five years after such disposition of termination inventory by such war contractor or Government agency, or (2) five years after the final settlement of such war contract, or (3) five years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress, whichever applicable period is longer.

As used in this subsection, the term "records" includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than five years, or both: Provided, however, That the Director, by regulation, may authorize the destruction of such records upon such

terms and conditions as he deems appropriate, which may include the making and retaining of photographs or microphotographs. Photographs or microphotographs of any records made in compliance with such regulations of the Director shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of admissibility in evidence.

(b) The first section of the Act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until three years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law."

(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or emolument from the United States or any Government agency in connection with the termination, cancellation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States or with any other person, and every person who enters into an agreement, combination, or conspiracy so to do, (1) shall pay to the United States an amount equal to 25 per centum of any amount thereby sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof and (3) shall in addition pay to the United States the sum of \$2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

(d) *The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this Act or under any regulations pursuant to this Act.*

(e) *It shall be unlawful for any person employed in any Government agency, including commissioned officers assigned to duty in such agency, during the period such person is engaged in such employment or service, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States, or for any such person within two years after the time when such employment or service has ceased, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States involving any subject matter directly connected with which such person was so employed or performed duty. Any person violating any provision of this subsection shall be fined not more than \$10,000 or imprisoned for not more than one year, or both.*

GENERAL PROVISIONS

SEC. 20. (a) *Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this Act, (1) to make any contract necessary and appropriate to carry out the provisions of this Act; (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems necessary and appropriate to carry out the provisions of this Act; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any contracting agency under the First War Powers Act, 1941, or under any other statute.*

(b) *Any contracting agency may prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this Act. Any determination so made that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this Act.*

(c) *There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this Act.*

(d) *All policies and procedures relating to termination of war contracts, termination settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by the Director in accordance with this Act, or by regulations of the contracting agency not inconsistent with this Act or the policies prescribed by the Director.*

(e) *Nothing in this Act shall be deemed to impair or modify any war contract or any term or provision of any war contract or any assignment of any claim under a war contract, without the consent of the parties thereto, if the war contract, or the term, provision, or assignment thereof, is otherwise valid.*

(f) *Any contracting agency may authorize or direct its officers and employees, as a part of their official duties, to advise, aid, and assist war*

contractors in preparing and presenting termination claims, in obtaining interim financing, and in related matters, to such extent as it deems desirable. Such advice, aid, or assistance shall not constitute a violation of section 109 of the Criminal Code (18 U. S. C. 198) or of any other law, provided the officer or employee does not receive therefor benefit or compensation of any kind, directly or indirectly, from any war contractor.

(g) The Smaller War Plants Corporation is hereby directed—

(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this Act and the regulations of the Director; and

(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guaranties, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

OTHER FUNCTIONS OF THE DIRECTOR

SEC. 21. In addition to his other functions under this Act, the Director shall—

(a) promote the training of personnel for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing;

(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible; and

(d) consult with war contractors through advisory committees or such other methods as he deems appropriate.

USE OF APPROPRIATED FUNDS

SEC. 22. Any contracting agency is authorized—

(a) to use for interim financing, the payment of claims, and for any other purposes authorized in this Act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

(b) to use any such funds appropriated, allocated, or available to it for expenditures for or in behalf of any other contracting agency for the purposes authorized in this Act; and

(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant

to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

DELEGATION OF AUTHORITY

SEC. 23. (a) The Director may delegate any authority and discretion conferred upon him by this Act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer, agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute.

APPLICABILITY

SEC. 24. (a) This Act shall become effective twenty days after the date of its enactment. With the exception of the provisions of paragraphs (b), (c), (d), and (e) of section 12, and of sections 6, 7, 8, 9, 10, and 13, this Act shall be applicable in the case of any terminated war contract which has been finally settled at or before the effective date of this Act.

(b) Nothing in this Act shall limit or affect any authority conferred by the Act of March 11, 1941 (55 Stat. 31), as amended, or Acts supplemental thereto.

SEC. 25. Subject to policies prescribed by the Director, any contracting agency may exempt from some or all of the provisions of this Act (a) any war contract made or to be performed outside the continental limits of the United States or in Alaska, or (b) any termination inventory situated outside of the continental limits of the United States or in Alaska, or (c) any modification of a war contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

SEPARABILITY OF PROVISIONS

SEC. 26. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SHORT TITLE

SEC. 27. *This Act may be cited as the "Contract Settlement Act of 1944".*

And the House agree to the same.

HATTON W. SUMNERS,
FRANCIS E. WALTER,
ESTES KEFAUVER,
C. E. HANCOCK,
JOHN W. GWYNNE,

Managers on the part of the House.

JAMES E. MURRAY,
EDWIN C. JOHNSON,
MON C. WALLGREN,
CHAN GURNEY,
CHAPMAN REVERCOMB,

Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House amendment struck out all of the Senate bill after the enacting clause. The committee of conference recommends that the Senate recede from its disagreement to the amendment of the House, with an amendment which is a substitute for both the Senate bill and the House amendment, and that the House agree to the same.

The differences between the House amendment and the proposed conference substitute are noted in the following statement, except for incidental changes made necessary by reason of agreements reached, and minor clarifying changes.

The House amendment added the War Production Board to the agencies defined under section 3 (g) as contracting agencies. The conference agreement retains this provision.

In addition to the accountants, engineers, appraisers, and other experts which the Director under the House amendment is authorized to employ without regard to the civil-service laws, the conference agreement adds authority to appoint a Deputy Director and authority of the Director to fix the compensation of such employees.

The conference agreement retains the House floor amendment which required review of settlements in excess of \$50,000 by settlement review boards within the contracting agencies. The amendment, however, would not subject to approval of such settlement review boards any arbitration award. Minor changes of clarifying nature were made in the provision and a further provision was made that failure of the settlement review board to act upon a settlement within thirty days after its submission shall operate as approval by the board.

Section 6 (d) of the House amendment enumerated various specific items of cost to be considered, to the extent allocable, and other items to be excluded, in establishing methods and standards for settling claims not settled by agreement. The Senate bill contained no comparable provision.

The conference agreement revises this House provision to state more concisely and in more general terms the costs to be taken into account for such purpose. The conference agreement retains the enumeration in the House amendment of costs to be excluded except that item (v), dealing with costs charged off during a period covered by a previous renegotiation, is omitted to allow for flexible treatment of this item. The next paragraph of this subsection (from the House amendment) makes it clear that this omission is not intended

to imply that this item should be allowed or disallowed and permits the Director to provide for the inclusion or exclusion of this and other costs in accordance with recognized commercial accounting practice.

Subsection 6 (e) of the House amendment, dealing with settlements by agreement, is retained by the conference agreement.

Section 8 (d) of the Senate bill contained a provision permitting the Director to prescribe penalties up to 6 percent for overstatements by contractors on amounts due on their claims in connection with financing, in order to protect the Government's interests. The conferees considered the provision desirable to prevent attempts to secure excessive interim financing. Accordingly, the conference agreement reinstates the provision but provides that the 6 percent penalty shall be automatic unless in the opinion of the Director the imposition thereof would be inequitable.

The House floor amendment prescribing the method for giving notice of cancellation to prime contractors and subcontractors, has been modified by section 11 (a) (2), so as to direct each contracting agency to establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination.

The conference agreement retains the provisions of the House amendment allowing suit in the court after resort to the appeal board and also provides that costs of suit shall be taxed against the war contractor unless the court awards the contractor an amount in excess of that allowed by the appeal board or panel.

The House floor amendment limiting the per annum compensation of members of the appeal board to \$10,000, and limiting their terms of office to 2 years, is also retained.

The provision of section 16 (a) of the House amendment specifying the authority of the General Accounting Office to examine records maintained by any contracting agency or by any war contractor relating to any termination settlement, is retained in the conference agreement. Subsection (b) has been rewritten in conference and provides that whenever the Comptroller General is convinced that any settlement was induced by fraud, he shall so certify, together with all the facts relating thereto, to the Department of Justice, to the Director, and to the contracting agency concerned. Upon receiving such certificate (1) the Department of Justice is directed to make an investigation to determine whether the settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold the amount of settlement or portion thereof, which in the opinion of the Comptroller General as stated in his certificate, was affected by the fraud.

The provision of the House amendment providing for a penalty of 25 percent of any amount sought to be secured by fraud, even though such amount may not actually be received, is retained in the conference agreement.

Subsection (e) of section 19 of the House amendment added to the bill a provision making it unlawful for a person who, as a commissioned officer in the Army or the Navy or as an officer or employee of the United States, has at any time during the period from December 7, 1941, until 6 months after the termination of hostilities in the present

war, been assigned to duty by the War or Navy Departments, or employed in any agency of the Government, and been engaged on behalf of the United States in procuring or assisting to procure supplies, materials, work, or services for the Government, or engaged in settling or adjusting contracts, from accepting or soliciting employment in presenting, aiding, or assisting for compensation in the prosecution of claims against the United States arising out of any contracts for supplies, materials, or services which were pending or entered into while the officer or employee was associated therewith. A penalty of a fine of not more than \$10,000 or imprisonment for not more than 1 year, or both, was provided for any violation of the provision. Subsection (j) of the Renegotiation Act was to be noneffective after enactment of this legislation.

The conferees agreed to a substitute provision making it unlawful for any person employed in any Government agency, including commissioned officers assigned to duty in such agency during the period such person is engaged in such employment or service, to prosecute, or to act as counsel, attorney, or agent for prosecuting any claim against the United States, or for any such person within 2 years after the time when such employment or service has ceased, to prosecute, or to act as counsel, attorney, or agent for prosecuting any claim against the United States involving any subject matter directly connected with which such person was so employed or performed duty. A penalty consisting of a fine of not more than \$10,000 or imprisonment for not more than 1 year, or both, is provided for violations of this provision.

The Senate bill contained a provision requiring that officers and employees of contracting agencies aid war contractors in preparing and presenting termination claims and obtaining interim financing as a part of their official duties, and provided that such assistance should not constitute a violation of section 109 of the Criminal Code. The House amendment qualified this provision to insure that such officers and employees may not receive any benefit or compensation, directly or indirectly from the war contractors. The substance of the provisions of the House amendment were retained in the conference agreement.

The House amendment added a provision to section 20 of the bill reiterating the authority of the Smaller War Plants Corporation to make interim loans and guaranties to small business concerns. This provision is retained in the conference agreement.

HATTON W. SUMNERS,
FRANCIS E. WALTER,
ESTES KEFAUVER,
C. E. HANCOCK,
JOHN W. GWYNNE,

Managers on the part of the House.



tion of the bill will be postponed until tomorrow.

LOUIS COURCIL—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 248) for the relief of Louis Courcil having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows: In lieu of the figures "\$3,500" insert "\$5,000"; and the Senate agree to the same.

ALLEN J. ELLENDER,
JAMES M. TUNNELL,
GEO. A. WILSON,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
W. A. PITTENGER,

Managers on the part of the House.

The report was agreed to.

REV. C. M. MCKAY—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 544) for the relief of Rev. C. M. McKay having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows: In lieu of the figures "\$581.10" insert "\$781.10"; and the Senate agree to the same.

ALLEN J. ELLENDER,
JAMES M. TUNNELL,
GEO. A. WILSON,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
J. EDGAR CHENOWETH,

Managers on the part of the House.

The report was agreed to.

DELORES LEWIS—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1313) for the relief of Delores Lewis having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows: In lieu of the figures "\$369" insert "\$700"; and the Senate agree to the same.

ALLEN J. ELLENDER,
TOM STEWART,
E. V. ROBERTSON,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
T. G. ABERNETHY,

Managers on the part of the House.

The report was agreed to.

EDDIE T. STEWART—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1411) for the relief of Eddie T. Stewart having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows: In lieu of the figures "\$1,292.50" insert "\$2,000"; and the Senate agree to the same.

ALLEN J. ELLENDER,
JAMES M. TUNNELL,
GEO. A. WILSON,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
JOHN JENNINGS, Jr.,
NAT PATTON,

Managers on the part of the House.

The report was agreed to.

MILDRED B. HAMPTON—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1412) for the relief of Mildred B. Hampton having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows: In lieu of the figures "\$487.50" insert the figures "\$1,000.00"; and the Senate agree to the same.

ALLEN J. ELLENDER,
KENNETH S. WHERRY,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
NAT PATTON,

Managers on the part of the House.

The report was agreed to.

EDWARD E. HELD AND MARY JANE HELD—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2625) for the relief of Edward E. Held and Mary Jane Held having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows: In lieu of the figures "\$4,000" insert the figures "\$4,500"; and the Senate agree to the same.

ALLEN J. ELLENDER,
JAMES O. EASTLAND,
ARTHUR CAPPER,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
JOHN JENNINGS, Jr.,
NAT PATTON,
A. M. FERNANDEZ,

Managers on the part of the House.

The report was agreed to.

MAVIS NORRINE COTHROTH AND THE LEGAL GUARDIAN OF NORMA LEE COTHROTH ET AL—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3390) for the relief of Mavis Norrine Cothron and the legal guardian of Norma Lee Cothron, Florence Janet Cothron, and Nina Faye Cothron having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate numbered (1) and agree to the same.

That the House recede from its disagreement to the amendment of the Senate numbered (2), and agree to the same with an amendment, as follows: In lieu of the figures "\$3,000" insert the figures "\$4,000"; and the Senate agree to the same.

ALLEN J. ELLENDER,
JAMES M. TUNNELL,
GEO. A. WILSON,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
LEX GREEN,

Managers on the part of the House.

The report was agreed to.

REV. JAMES T. DENIGAN—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3538) for the relief of Rev. James T. Denigan having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate, and agree to the same with an amendment, as follows: In lieu of the figures "\$5,578.85" insert the figures "\$6,500"; and the Senate agree to the same.

ALLEN J. ELLENDER,
KENNETH S. WHERRY,

Managers on the part of the Senate.

DAN R. MCGEEHEE,
W. A. PITTENGER,

Managers on the part of the House.

The report was agreed to.

SETTLEMENT OF CLAIMS ARISING FROM TERMINATED WAR CONTRACTS—CONFERENCE REPORT

Mr. JOHNSON of Colorado submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

"OBJECTIVES OF THE ACT

"SECTION 1. The Congress hereby declares that the objectives of this Act are—

"(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

"(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement;

"(c) to assure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing;

"(d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;

"(e) to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;

"(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

"SURVEILLANCE BY CONGRESS

"SEC. 2. (a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act.

"(b) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his duties and authority under this Act, the status of contract terminations, termination settlements, and interim financing and such other pertinent information on the administration of the Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

"DEFINITIONS

"SEC. 3. As used in this Act—

"(a) The term 'prime contract' means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term 'prime contractor' means any holder of one or more prime contracts.

"(b) The term 'subcontract' means any contract, agreement, or purchase order heretofore or hereafter entered into to perform any work, or to make or furnish any material to the extent that such work or material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term 'subcontractor' means any holder of one or more subcontracts.

"(c) The term 'war contract' means a prime contract or a subcontract; and the term 'war contractor' means any holder of one or more war contracts.

"(d) The terms 'termination', 'terminate', and 'terminated' refer to the termination or cancellation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

"(e) The term 'material' includes any article, commodity, machinery, equipment, accessory, part, component, assembly, work in process, maintenance, repair, and operating supplies, and any product of any kind.

"(f) The term 'Government agency' means any executive department of the Government, or any administrative unit or subdivision thereof, any independent agency or any corporation owned or controlled by the United States in the executive branch of the Government, and includes any contracting agency.

"(g) The term 'contracting agency' means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board.

"(h) The term 'termination claim' means any claim or demand by a war contractor for fair compensation for the termination of any war contract and any other claim under

a terminated war contract, which regulations prescribed under this Act authorize to be asserted and settled in connection with any termination settlement.

"(i) The term 'interim financing' includes advance payments, partial payments, loans, discounts, advances, and commitments in connection therewith, and guaranties of loans, discounts, advances, and commitments in connection therewith and any other type of financing made in contemplation of or related to termination of war contracts.

"(j) The term 'Director' means the Director of Contract Settlement.

"(k) The term 'person' means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

"(l) The term 'termination inventory' means any materials (including a proper part of any common materials), properly allocable to the terminated portion of a war contract except any machinery or equipment subject to a separate contract specifically governing the use or disposition thereof.

"(m) The term 'final and conclusive', as applied to any settlement, finding, or decision, means that such settlement, finding, or decision shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of the United States or in any suit, action, or proceeding except as provided in this Act.

"DIRECTOR OF CONTRACT SETTLEMENT

"SEC. 4. (a) There is hereby established the Office of Contract Settlement which shall be headed by the Director of Contract Settlement. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per year, and shall serve for a term of two years.

"(b) In order to insure uniform and efficient administration of the provisions of this Act, the Director, subject to such provisions, by general orders or general regulations—

"(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this Act; and

"(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this Act.

"(c) The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this Act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section. Each Government agency shall carry out such orders and regulations of the Director expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary to carry out the policies, principles, methods, procedures, and standards prescribed by the Director. Any Government agency may issue such further regulations not inconsistent with the general orders or regulations of the Director as it deems necessary or desirable to carry out the provisions of this Act.

"(d) The Director may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel in accordance with the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this Act. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may appoint a Deputy Director and may employ certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and fix their compensation, and contract with

certified public accounting firms and qualified firms of engineers in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this Act. The Director shall perform the duties imposed upon him through the personnel and facilities of the contracting agencies and other established Government agencies, to the extent that this does not interfere with the function of the Director to insure uniform and efficient administration of the provisions of this Act.

"(e) All orders and regulations prescribed by the Director or any Government agency under this Act shall be published in the Federal Register.

"CONTRACT SETTLEMENT ADVISORY BOARD

"SEC. 5. There is hereby created a Contract Settlement Advisory Board, with which the Director shall advise and consult. The Board shall be composed of the Director, who shall act as its Chairman, and of the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the chairman of the board of directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the chairman of the board of directors of the Smaller War Plants Corporation, and the Attorney General or any alternate or representative designated by any of them. The Director shall request other Government agencies to participate in the deliberations of the Board whenever matters specially affecting them are under consideration.

"SEC. 6. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, to provide war contractors with speedy and fair compensation for the termination of any war contract, in accordance with and subject to the provisions of this Act, giving priority to contractors whose facilities are privately owned or privately operated. Such fair compensation for the termination of subcontracts shall be based on the same principles as compensation for the termination of prime contracts.

"(b) Each contracting agency shall establish methods and standards, suitable to the conditions of various war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work under the terminated contract, or on any other equitable basis, as it deems appropriate. To the extent that such methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

"(c) Any contracting agency may settle all or any part of any termination claim under any war contract by agreement with the war contractor, or by determination of the amount due on the claim or part thereof without such agreement, or by any combination of these methods. Where any such settlement is made by agreement, the settlement shall be final and conclusive, except (1) to the extent otherwise agreed in the settlement; (2) for fraud; (3) upon renegotiation to eliminate excessive profits under the Renegotiation Act, unless exempt or exempted under that Act; or (4) by mutual agreement before or after payment. Where any such settlement is made by determination without agreement, it shall likewise be final and conclusive, subject to the same exceptions as if made by agreement, unless the war contractor appeals or brings suit in accordance with section 13 of this Act: *Provided*, That no settlement agreement hereunder involving payment to a war contractor of an amount in excess of \$50,000 (or such lesser amount

as the Director may from time to time determine) shall become binding upon the Government until the agreement has been reviewed and approved by a settlement review board of three or more members established by the contracting agency in the bureau, division, regional or district office, or other unit of the contracting agency authorized to make such settlement, or in the event of disapproval by the settlement review board, unless approved by the head of such bureau, division, regional or district office, or other unit. Failure of the settlement review board to act upon any settlement within 30 days after its submission to the board shall operate as approval by the board. The sole function of settlement review boards shall be to determine the over-all reasonableness of proposed settlement agreements from the point of view of protecting the interests of the Government. In determining, for purposes of this subsection, whether review of any settlement agreement is required because of the amounts involved, no deduction shall be made on account of credits for property chargeable to the Government or for advance or partial payments, but amounts payable under such settlement agreement for completed articles or work at the contract price and for the discharge of the termination claims of subcontractors shall be deducted.

"(d) Except as hereinafter provided, the methods and standards established under subsection (b) of this section for determining fair compensation for termination claims which are not settled by agreement shall be designed to compensate the war contractor fairly for the termination of the war contract, taking into account:

"(1) the direct and indirect manufacturing, selling, and distribution, administrative and other costs and expenses incurred by the war contractor which are reasonably necessary for the performance of the war contract and properly allocable to the terminated portion thereof under recognized commercial accounting practices; and

"(2) reasonable costs and expenses of settling termination claims of subcontractors related to the terminated portion of the war contract; and

"(3) reasonable accounting, legal, clerical, and other costs and expenses incident to termination and settlement of the terminated war contract; and

"(4) reasonable costs and expenses of removing, preserving, storing and disposing of termination inventories; and

"(5) such allowance for profit on the preparations made and work done for the terminated portion of the war contract as is reasonable under the circumstances; and

"(6) interest on the termination claim in accordance with subsection (f) of this section; and

"(7) the contract price and all amounts otherwise paid or payable under the contract.

"The following shall not be included as elements of cost:

"(i) Losses on other contracts, or from sales or exchanges of capital assets, fees and other expenses in connection with reorganization or recapitalization, antitrust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government (except as provided in paragraph (3) above); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

"(ii) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

"(iii) Expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

"(iv) Costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

"The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (d) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

"Where the small size of claims or the nature of production or performance or other factors make it impracticable to apply the principles stated in this subsection (d) to any class of settlements which are subject to this subsection (d), the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims. The aggregate amount of compensation allowed in accordance with this subsection (excluding amounts allowed under paragraphs (3) and (4) above) shall not exceed the total contract price reduced by the amount of payments otherwise made or to be made under the contract.

"(e) In order to carry out the objectives of this Act, termination claims shall be settled by agreement to the maximum extent feasible and the methods and standards established under subsection (b) of this section shall be designed to facilitate such settlements. To the extent that he deems it practicable to do so without impeding expeditious settlements, the Director shall require the contracting agencies to take into account the factors enumerated in subsection (d) above in establishing methods and standards for determining fair compensation in the settlement of termination claims by agreement.

"(f) Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of $2\frac{1}{2}$ per centum per annum for the period beginning thirty days after the date fixed for termination and ending with the date of final payment, except that (1) if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue for the period of such delay, (2) if interest for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder, and (3) if after delivery of findings by a contracting agency, the contractor appeals or sues as provided in section 13, interest shall not accrue after the thirtieth day following the delivery of the findings on any amount allowed by such findings, unless such amount is increased upon such appeal or suit. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis and subject to the same conditions as are applicable to a prime contractor.

"(g) Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

"SEC. 7. (a) Where, in connection with the settlement of any termination claim by a contracting agency, any war contractor makes settlements of the termination claims of his subcontractors, the contracting agency shall limit or omit its review of such settlements with subcontractors to the maximum extent compatible with the public interest. Any contracting agency (1) may approve, ratify, or authorize such settlements with subcontractors upon such evidence, terms, and conditions as it deems proper; (2) shall vary

the scope and intensity of its review of such settlements according to the reliability of the war contractor, the size, number, and complexity of such claims, and other relevant factors; and (3) shall authorize war contractors to make such settlements with subcontractors without review by the contracting agency, whenever the reliability of the war contractor, the amount or nature of the claims, or other reasons appear to the contracting agency to justify such action. Any such settlement of a subcontract approved, ratified, or authorized by a contracting agency shall be final and conclusive as to the amount due to the same extent as a settlement under subsection (c) of section 6 of this Act, and no war contractor shall be liable to the United States on account of any amounts paid thereon except for his own fraud.

"(b) Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments to the war contractor on account of termination claims of subcontractors of such war contractor to such extent and in such manner as it deems necessary or desirable for the purpose of assuring the receipt of the benefit of such payments by the subcontractors.

"(c) The Director shall prescribe policies and methods for the settlement as a group, or otherwise, by any contracting agency of some or all of the termination claims of a war contractor under war contracts with one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. After consulting with the contracting agencies concerned, the Director may provide for assigning any war contractor to a contracting agency for such settlement, and such agency shall have authority to settle, on behalf of any other contracting agency, some or all of the termination claims of such war contractor.

"(d) Any contracting agency may settle directly termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. In making such termination settlements any contracting agency may discharge the claim of the subcontractor by payment or may purchase such claim, and may agree to assume, or indemnify the subcontractor against, any claims by any person in connection with such claim or the termination settlement. Any contracting agency undertaking to settle the termination claim of any subcontractor shall deliver to the subcontractor and the war contractor liable to him written notice stating its acceptance of responsibility for settling his claim and the conditions applicable thereto, which may include the release, or assignment to the contracting agency, of his claim against the war contractor liable to him; upon consent thereto by the subcontractor, the Government shall become liable for the settlement of his claims upon the conditions specified in the notice.

"(e) Any contracting agency may make settlements with subcontractors in accordance with any of the provisions of this Act without regard to any limitation on the amount payable by the Government to the prime contractor.

"(f) If any contracting agency determines that in the circumstances of a particular case equity and good conscience require fair compensation for the termination of a war contract to be paid to a subcontractor who has been deprived of and cannot otherwise reasonably secure such fair compensation, the contracting agency concerned may pay such compensation to him although such compensation already has been included and paid as part of a settlement with another war contractor.

"INTERIM FINANCING"

"Sec. 8. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, in accordance with and subject to the provisions of this Act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within thirty days after proper application therefor.

"(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guaranties in connection therewith, in contemplation of or related to termination of war contracts. Where interim financing is made by advance payments or partial payments, it shall, insofar as practicable, consist of the following:

"(1) An amount equal to 100 per centum of the amount payable, at the contract price, on account of acceptable items completed prior to the termination date under the terms of the contract, or completed thereafter with the approval of the contracting agency; plus

"(2) An amount equal to 90 per centum of the cost of raw materials, purchased parts, supplies, direct labor, and manufacturing overhead allocable to the terminated portion of the war contract; plus

"(3) A reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated portion of the war contract not included in the foregoing; plus

"(4) Such additional amounts, if any, as the contracting agency deems necessary to provide the war contractor with adequate interim financing.

"(5) In lieu of the costs referred to in clauses (2) and (3) of this subsection, where a detailed ascertainment of such costs is not suitable to the conditions of any war contractor and is apt to cause delay in the obtaining of interim financing by him, that portion of such interim financing shall be equal to an amount not greater than 90 per centum of the estimated costs which are allocable to the terminated part or parts of the war contract or group of war contracts, and are ascertained in accordance with such methods and standards as the Director shall prescribe.

"(6) There shall be deducted from the amount of such interim financing any unliquidated balances of advance and partial payments theretofore made to such war contractor, which are allocable to the terminated war contract or the terminated part of the war contract.

"(c) The Director shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made including the use of standard forms for agreements with respect to such interim financing to the extent practicable; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speedy interim financing to subcontractors of the war contractor.

"(d) In case of an overstatement by any war contractor of the amount due on his termination claim or claims in connection with any interim financing under this Act, such contractor shall pay to the United States, as a penalty, an amount equal to 6 per centum of the amount of the overstatement, but the Director may suspend or modify any such penalty if in his opinion the imposition thereof would be inequitable. Any penalty may be deducted from any amounts due the war contractor upon such termination claim or claims, or otherwise, or may be collected from the war contractor by suit. The obligation to pay any penalty imposed and to repay any interim financing made or assumed by the

United States under this Act shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).

"(e) Any contracting agency may allow any advance payments, previously made or authorized by it in connection with the performance of a war contract, to be used for payments and expenses related to the termination settlement of such contract, upon such terms and conditions as it deems necessary or appropriate, to protect the interest of the Government.

"(f) No interim financing shall be made by any contracting agency under this Act unless the terms of such financing provide for the liquidation by the war contractor of all loans, discounts, advance payments, or partial payments thereunder not later than the time of final payment of the amount due on the settlement of the termination claim or claims of the war contractor involved or such time thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.

"(g) Any contracting agency may settle, upon such terms and conditions as it deems proper, any claim or obligation due by or to the Government arising from or related to any interim financing made, acquired, or authorized by it. Any interim financing made, acquired, or authorized by any contracting agency before the effective date of this Act shall be valid to the extent it would be authorized under the provisions of this Act if made after its effective date.

"Sec. 9. (a) Any contracting agency may make advance or partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such advance or partial payments by any war contractor to his subcontractors, upon such conditions as it deems necessary to insure compliance with the provisions of subsection (b) of this section. Each contracting agency shall make final payments from time to time on partial settlements or on settlements fixing a minimum amount due before complete settlement, or as tentative payments before any settlement of the claim or claims.

"(b) Where any such advance or partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, except a final payment on a partial settlement, any amount in excess of the amount finally determined to be due on the termination claim shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand together with a penalty computed at the rate of 6 per centum per annum, for the period from the date such excess advance or partial payment is received to the date on which such excess is repaid or extinguished. Where the advance or partial payment was made by a war contractor and authorized, approved, or ratified by any contracting agency, the war contractor making it shall not be liable for any such excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

"Sec. 10. (a) Any contracting agency is authorized—

"(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of

the termination of one or more such war contracts or operations;

"(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

"(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

"(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

"(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.

"ADVANCE NOTICE"

"Sec. 11. (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, each contracting agency—

"(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

"(2) shall establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination; and

"(3) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

"(b) Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for thirty days or more, the contractor may elect to treat it as a termination by delivering written notice of his election so to do to the contracting agency, at any time before the contracting agency directs the prime contractor to resume work under the contract.

"(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies.

"REMOVAL AND STORAGE OF MATERIALS"

"Sec. 12. (a) It is the policy of the Government, upon the termination of any war contract, to assure the expeditious removal from the plant of the war contractor of the termination inventory not to be retained or sold by the war contractor.

"(b) Any war contractor may submit to the contracting agency concerned or to any other Government agency designated by the Director, one or more statements showing the materials which such war contractor claims to be termination inventory under one or

more war contracts and desires to have removed by the Government. Such statements shall be prepared in such form and detail, shall be submitted in such manner, through the prime contractor or otherwise, and shall be supported by such certificates or other data, as may be prescribed under this Act.

"(c) Within sixty days after the submission of any such statement by a war contractor, or such shorter period as may be prescribed under this Act, or within such longer period as the war contractor may agree, the Government agency concerned (1) shall arrange, upon such terms and conditions as may be agreed, for the storage by the war contractor on his own premises or elsewhere of all such claimed termination inventory which the war contractor does not retain or dispose of, except any part which may be determined not to be allocable to the terminated war contract or contracts, or (2) shall remove from the plant or plants of the war contractor all of such claimed termination inventory not retained, disposed of, or stored by the war contractor or determined not to be allocable to the terminated war contract or contracts.

"(d) Upon the failure of the Government so to arrange for storage by the war contractor or to remove any termination inventory within the period specified under subsection (c) of this section, the war contractor, subject to regulations prescribed under this Act, may remove some or all of such termination inventory from his plant or plants and may store it on his own premises or elsewhere for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation. If any war contractor intends so to remove any claimed termination inventory, he shall deliver to the Government agency concerned written notice of the date fixed for removal and a statement showing the quantities and condition of the materials so to be removed, certified on behalf of the war contractor to have been prepared in accordance with a concurrent physical inventory of such materials. Such notice and statement shall be delivered at least twenty days in advance of the date fixed for removal and may be delivered before or after the expiration of the period specified under subsection (c) of this section. If the Government agency fails to check such materials, at or before the time of their removal by the war contractor, a certificate of the war contractor specifying the materials shown on such statement which were so removed, and filed with the Government agency concerned within thirty days after the date fixed for removal, shall constitute prima facie evidence against the United States as to the quantities and condition of the materials so removed, and the fact of their removal.

"(e) Notwithstanding any other provisions of law, but subject to subsection (h) of this section, the contracting agency concerned or the Director, or any Government agency designated by him, on behalf of the United States, may, by the exercise of any contract rights or otherwise, acquire and take possession of any termination inventory of any war contractor, and any materials removed by the Government or stored for its account under subsections (c) and (d) of this section, whether or not such materials are finally determined not to constitute termination inventory. With respect to any such materials, the Government shall be liable to any war contractor concerned only for their return to such war contractor or for their disposal value at the time of their removal or for the proceeds realized by the Government from their disposal, at the election of the Government agency concerned, unless the Government agency and the war contractor agree or have agreed on a different basis. Any amount so paid or payable to a war contractor for materials allocable to a terminated

war contract shall be credited against the termination claim under such contract but shall not otherwise affect the amount due on the claim, unless the Government agency concerned and the war contractor agree or have agreed otherwise. Any materials to which the Director takes title under this section shall be delivered for disposal to any appropriate Government agency authorized to make such disposal.

"(f) No contracting agency shall postpone or delay any termination settlement beyond the period specified in subsection (c) of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection (b) of this section.

"(g) Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned machinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within sixty days after such demand or such other period as may be prescribed under this Act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provision for the retention, storage, maintenance, or disposition of such machinery, tools, or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this Act, may remove all or part of such machinery, tools, or equipment from his plant and may store it on his own premises or elsewhere, for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation.

"(h) Nothing in this Act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any termination inventories and to retain them for their use for any purpose or to dispose of such termination inventories for the purpose of war production, or to authorize any war contractor to retain or dispose of such termination inventories for the purpose of war production.

"(i) Nothing in this section shall be construed to prevent the removal and storage of any termination inventory by any war contractor, at his own risk, at any time after termination of any war contract to which it is allocable.

"APPEAL

"SEC. 13. (a) Whenever the contracting agency responsible for settling any termination claim has not settled the claim by agreement or has so settled only a part of the claim, (1) the contracting agency at any time may determine the amount due on such claim or such unsettled part, and prepare written findings indicating the basis of the determination, and deliver a copy of such findings to the war contractor, or (2) if the termination claim has been submitted in the manner and substantially the form prescribed under this Act, the contracting agency, upon written demand by the war contractor for such findings, shall determine the amount due on the claim or unsettled part and prepare and deliver such findings to the war contractor within ninety days after the receipt by the agency of such demand. In preparing such findings, the contracting agency may require the war contractor to furnish such information and to

submit to such audits as may be reasonably necessary for that purpose. Within thirty days after the delivery of any such findings, the contracting agency shall pay to the war contractor at least 90 per centum of the amount thereby determined to be due, after deducting the amount of any outstanding interim financing applicable thereto.

"(b) Whenever any war contractor is aggrieved by the findings of a contracting agency on his claim or part thereof or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

"(1) appeal to the Appeal Board in accordance with subsection (d) of this section; or

"(2) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (28 U. S. C. 41 (20)), except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, or any corporation owned or controlled by the United States, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.

"(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

"(1) When any contracting agency provides a procedure within the agency for protest against such findings or for other appeal therefrom by the war contractor, the war contractor, before proceeding under subsection (b) of this section, (i) in his discretion may resort to such procedure within the time specified in this contract or, if no time is specified, within thirty days after the delivery to him of the findings; and (ii) shall resort to such procedure for protest or other appeal to the extent required by the Director, but failure of the contracting agency to act on any such required protest or appeal within thirty days shall operate as a refusal by the agency to modify its findings. Any revision of the findings by the contracting agency, upon protest or appeal within the agency, shall be treated as the findings of the agency for the purpose of appeal or suit under subsection (b) of this section. Notwithstanding any contrary provision in any war contract, no war contractor shall be required to protest or appeal from such findings within the contracting agency except in accordance with this paragraph.

"(2) A war contractor may initiate proceedings in accordance with subsection (b) of this section (i) within ninety days after delivery to him of the findings by the contracting agency, or (ii) in case of protests or appeal within the agency, within ninety days after the determination of such protest or appeal, or (iii) in case of failure to deliver such findings, within one year after his demand therefor. If he does not initiate such proceedings within the time specified, he shall be precluded thereafter from initiating any proceedings in accordance with subsection (b) of this section, and the findings of the contracting agency shall be final and conclusive, or if no findings were made, he shall be deemed to have waived such termination claim.

"(3) Notwithstanding any contrary provision in any war contract, the Appeal Board or court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that the amount due on his claim or part thereof exceeds the amount allowed by the findings of the contracting agency. Whenever the Appeal Board or court finds that the war contractor failed to ne-

gotiate in good faith with the contracting agency for the settlement of his claim or part thereof before appeal or suit thereon, or failed to furnish to the agency any information reasonably requested by it regarding his termination claim or part thereof, or failed to prosecute diligently any protest or appeal required to be taken under subsection (c) (1) (ii) of this section, the Appeal Board or court (i) may refuse to receive in evidence any information not submitted to the contracting agency; (ii) may deny interest on the claim or part thereof for such period as it deems proper; or (iii) may remand the case to the contracting agency for further proceedings upon such terms as the Appeal Board or court may prescribe. Unless the case is remanded, the Appeal Board or court shall enter the appropriate award or judgment on the basis of the law and facts, and may increase or decrease the amount allowed by the findings of the contracting agency.

"(4) Any such proceedings shall not affect the authority of the contracting agency concerned to make a settlement of the termination claim, or any part thereof, by agreement with the war contractor at any time before such proceedings are concluded.

"(d) (1) The Director shall appoint an Appeal Board, composed of such number of members as he deems necessary from time to time to hear appeals under this section. The members of the Appeal Board shall be qualified and experienced attorneys, engineers, accountants, or persons possessing sufficient business experience or professional skill. He shall, without regard to the provisions of the civil-service laws and the Classification Act of 1923, appoint and fix the compensation and term of office of the members of the Appeal Board: *Provided*, That no member shall receive compensation at a rate in excess of \$10,000 per annum nor be appointed for a term longer than two years.

"(2) Panels of one or more members may act for the Appeal Board and shall sit from time to time in localities throughout the country, reasonably convenient for war contractors having proceedings before them. A panel of one member of the Appeal Board may hear any appeal whenever (i) the amount in controversy in the appeal is \$25,000 or less; or (ii) the amount in controversy exceeds \$25,000, but the war contractor taking the appeal fails to demand a panel of three members at the time of filing his appeal. If the war contractor is aggrieved by the decision of the Appeal Board or panel (other than an order remanding the case to the contracting agency under subsection (c) (3) (iii) of this section), then within ninety days after such decision he may bring suit on the claim or unsettled part thereof in accordance with subsection (b) (2) of this section. Such suit shall proceed as if no appeal had been taken under subsection (b) of this section. All costs of such suit shall be borne by the war contractor unless the court awards such contractor an amount in excess of that allowed by the Appeal Board or panel. Upon failure of the war contractor so to sue within such period, the decision of the Appeal Board or panel shall be final and conclusive.

"(3) The Director or, if authorized by him, the Appeal Board shall prescribe the practice and procedure to govern proceedings for the Appeal Board. The Appeal Board or any panel thereof shall have power to administer oaths to witnesses and to compel by subpoena the attendance of witnesses, and the production of books, papers, documents, and other records. All provisions of law (including penalties and provisions relating to self-incrimination) applicable with respect to subpoenas issued under the Federal Trade Commission Act shall be applicable with respect to subpoenas issued by the Appeal Board insofar as such provisions are not inconsistent with the provisions of this Act.

"(e) The contracting agency responsible for settling any claim and the war contractor asserting the claim, by agreement, may submit all or any part of the termination claim to arbitration, without regard to the amount in dispute. Such arbitration proceedings shall be governed by the provisions of the United States Arbitration Act to the same extent as if authorized by an effective agreement in writing between the Government and the war contractor. Any such arbitration award shall be final and conclusive upon the United States to the same extent as a settlement under subsection (c) of section 6, but shall not be subject to approval by any settlement review board.

"(f) Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them, by agreement with the other, may submit the dispute—

"(1) to the Appeal Board in accordance with subsection (d) of this section;

"(2) to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director.

"Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

"COURT OF CLAIMS

"SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

"(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all persons with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. If the name and address of any such person is known or can be ascertained by reasonable diligence, and if he resides within the jurisdiction of the United States, he shall be summoned to appear by personal service; but if any such person resides outside of the jurisdiction of the United States, or is unknown, or if for any other good and sufficient reason appearing to the court personal service cannot be had, he may be summoned by publication, under such rules as the court may adopt, together with a copy of the summons mailed by registered mail to such person's last known address. The Court of Claims may, upon motion of the Attorney General, in any suit or proceeding where there may be any number of persons having possible interests therein, notify such persons to appear to assert and defend such interests. Upon failure so to appear, any and all claims or interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment pro confesso upon any claim or contingent claim asserted on behalf of the United States against any person who, having been duly served with summons, fails to respond thereto, to the same extent and with like effect as if such person had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any person pursuant to any such summons or notice,

the case as to such person shall, for all purposes, be treated as if an independent proceeding had been instituted by such person pursuant to section 145 of the Judicial Code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and determination, with the case in respect of which the summons or notice was issued, except that the United States shall not be heard upon any counter-claims, claims for damages or other demands whatsoever against such person, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such person shall assert therein a claim, or an interest in a claim, against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

"(c) The jurisdiction of the Court of Claims shall not be affected by this Act except to the extent necessary to give effect to this Act, and no person shall recover judgment on any claim, or on any interest in any claim, in said court which such person would not have had a right to assert in said court if this section had not been enacted.

"PERSONAL FINANCIAL LIABILITY

"SEC. 15. (a) Whenever any payment is made from Government funds to any war contractor or other person as an advance, partial or final payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment, in the absence of fraud on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

"(b) For the purpose of making termination settlements or interim financing any Government agency is authorized to rely upon such certificates of war contractors as it deems proper and to permit war contractors and other persons to rely upon such certificates without financial liability in the absence of fraud on their part.

"THE GENERAL ACCOUNTING OFFICE

"SEC. 16. (a) Any other provision of law notwithstanding, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud. For this purpose the General Accounting Office shall have the authority to examine any records maintained by any contracting agency or by any war contractor relating to any termination settlement.

"(b) Whenever the Comptroller General is convinced that any settlement was induced by fraud, he shall so certify, together with all the facts relating thereto, to the Department of Justice, to the Director, and to the contracting agency concerned. Upon receipt of such certificate (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the

belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in the opinion of the Comptroller General as stated in his certificate, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor. The General Accounting Office shall not suspend credit to any disbursing officer on any disbursements made by him under such settlement in the absence of fraud on his part.

"(c) The Comptroller General may investigate the settlements completed by each contracting agency for the purpose of reporting to the Congress from time to time on—

"(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this Act and the orders and regulations of the Director;

"(2) whether such methods and procedures are followed by such agency with care and efficiency; and

"(3) whether such methods and procedures adequately protect the interest of the Government.

"If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this Act. At least thirty days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

"(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this Act except to the extent necessary to give effect to the specific provisions thereof.

"DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

"Sec. 17. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a formal contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

"(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

"(c) Where a contracting agency fails to settle by agreement any claim asserted under this section, the dispute shall be subject to the provisions of section 13 of this Act.

"(d) The Director shall require each contracting agency to formalize all such obligations and commitments within such period as the Director deems appropriate.

"RECORDS, FORMS, AND REPORTS

"Sec. 18. (a) The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud and to assure uniformity in administration and to provide for expeditious settlements. For this purpose he shall prescribe (1) such records to be prepared by the contracting agencies and by war contractors as he deems necessary in connection with such settlements and interim financing; and (2) the records in connection therewith to be transmitted to the General Accounting Office. He shall seek to reduce the amount of record keeping, reporting, and accounting in connection with the settlement of termination claims and interim financing to the minimum compatible with the reasonable protection of the public interest. Each contracting agency shall prescribe forms for use by war contractors in connection with termination settlements and interim financing to the extent it deems necessary and feasible.

"(b) The Director shall require the Government agencies performing functions under this Act to prepare such information and reports regarding terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this Act, and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies. The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this Act, but any such agency, in its discretion, may furnish any such information deemed by it to affect the national security only to the Director himself.

"(c) The Director, by regulation, shall provide for making available to any interested Government agency such advance notice and other information on cut-backs in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.

"(d) The Director shall make such investigations as he deems necessary or desirable in connection with termination settlements and interim financing. For this purpose he may utilize the facilities of any existing agencies and if he determines that the facilities of existing agencies are inadequate, he may establish a unit in the Office of Contract Settlement to supplement and facilitate the work of existing agencies. He shall report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.

"(e) Whenever any contracting agency or the Director believes that any settlement was induced by fraud, the agency or Director shall report the facts to the Department of Justice. Thereupon, (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in its opinion, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor.

"PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

"Sec. 19. (a) It shall be unlawful for any person willfully to secrete, mutilate, obliterate,

ate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed—

"(1) any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation or other termination, or settlement of a war contract of \$25,000 or more; or

"(2) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more,

until (1) five years after such disposition of termination inventory by such war contractor or Government agency, or (2) five years after the final settlement of such war contract, or (3) five years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress, whichever applicable period is longer.

"As used in this subsection, the term 'records' includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than five years, or both: *Provided, however*, That the Director, by regulation, may authorize the destruction of such records upon such terms and conditions as he deems appropriate, which may include the making and retaining of photographs or microphotographs. Photographs or microphotographs of any records made in compliance with such regulations of the Director shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of admissibility in evidence.

"(b) The first section of the Act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until three years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law."

"(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or emolument from the United States or any Government agency in connection with the termination, cancellation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States

or with any other person, and every person who enters into an agreement, combination, or conspiracy so to do, (1) shall pay to the United States an amount equal to 25 per centum of any amount thereby sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof and (3) shall in addition pay to the United States the sum of \$2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

"(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, whosoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

"(d) The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this Act or under any regulations pursuant to this Act.

"(e) It shall be unlawful for any person employed in any Government agency, including commissioned officers assigned to duty in such agency, during the period such person is engaged in such employment or service, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States, or for any such person within two years after the time when such employment or service has ceased, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States involving any subject matter directly connected with which such person was so employed or performed duty. Any person violating any provision of this subsection shall be fined not more than \$10,000 or imprisoned for not more than one year, or both.

"GENERAL PROVISIONS"

"Sec. 20. (a) Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this Act, (1) to make any contract necessary and appropriate to carry out the provisions of this Act; (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems necessary and appropriate to carry out the provisions of this Act; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any contracting agency under the First War Powers Act, 1941, or under any other statute.

"(b) Any contracting agency may prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this Act. Any determination so made that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this Act.

"(c) There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this Act.

"(d) All policies and procedures relating to termination of war contracts, termination

settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by the Director in accordance with this Act, or by regulations of the contracting agency not inconsistent with this Act or the policies prescribed by the Director.

"(e) Nothing in this Act shall be deemed to impair or modify any war contract or any term or provision of any war contract or any assignment of any claim under a war contract, without the consent of the parties thereto, if the war contract, or the term, provision, or assignment thereof, is otherwise valid.

"(f) Any contracting agency may authorize or direct its officers and employees, as a part of their official duties, to advise, aid, and assist war contractors in preparing and presenting termination claims, in obtaining interim financing, and in related matters, to such extent as it deems desirable. Such advice, aid, or assistance shall not constitute a violation of section 109 of the Criminal Code (18 U. S. C. 198) or of any other law, provided the officer or employee does not receive therefor benefit or compensation of any kind, directly or indirectly, from any war contractor.

"(g) The Smaller War Plants Corporation is hereby directed—

"(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this Act and the regulations of the Director; and

"(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guaranties, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

"OTHER FUNCTIONS OF THE DIRECTOR"

"Sec. 21. In addition to his other functions under this Act, the Director shall—

"(a) promote the training of personnel for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

"(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing;

"(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible; and

"(d) consult with war contractors through advisory committees or such other methods as he deems appropriate.

"USE OF APPROPRIATED FUNDS"

"Sec. 22. Any contracting agency is authorized—

"(a) to use for interim financing, the payment of claims, and for any other purposes authorized in this Act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

"(b) to use any such funds appropriated, allocated, or available to it for expenditures for or in behalf of any other contracting agency for the purposes authorized in this Act; and

"(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

"DELEGATION OF AUTHORITY"

"Sec. 23. (a) The Director may delegate any authority and discretion conferred upon him by this Act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

"(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer, agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

"(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

"(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute.

"APPLICABILITY"

"Sec. 24. (a) This Act shall become effective twenty days after the date of its enactment. With the exception of the provisions of paragraphs (b), (c), (d), and (e) of section 12, and of sections 6, 7, 8, 9, 10, and 13, this Act shall be applicable in the case of any terminated war contract which has been finally settled at or before the effective date of this Act.

"(b) Nothing in this Act shall limit or affect any authority conferred by the Act of March 11, 1941 (55 Stat. 31), as amended, or Acts supplemental thereto.

"Sec. 25. Subject to policies prescribed by the Director, any contracting agency may exempt from some or all of the provisions of this Act (a) any war contract made or to be performed outside the continental limits of the United States or in Alaska, or (b) any termination inventory situated outside of the continental limits of the United States or in Alaska, or (c) any modification of a war contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

"SEPARABILITY OF PROVISIONS"

"Sec. 26. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

"SHORT TITLE"

"Sec. 27. This Act may be cited as the 'Contract Settlement Act of 1944.'"

And the House agree to the same.

JAMES E. MURRAY,
EDWIN C. JOHNSON,
MON C. WALLGREN,
CHAN GURNEY,
CHAPMAN REVERCOMB,

Managers on the part of the Senate.

HATTON W. SUMNERS,
FRANCIS E. WALTER,
ESTES KEFAUVER,
CLARENCE E. HANCOCK,
JOHN W. GWYNNE,

Managers on the part of the House.

The report was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. RAMSPECK, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 4219, to provide for the appointment of female pilots and aviation cadets in the air forces of the Army, had directed him to report the same back to the House with the recommendation that the enacting clause be stricken out.

THE SPEAKER. The question is on the recommendation of the Committee of the Whole.

Mr. MAY. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The Clerk called the roll; and there were—yeas 188, nays 169, not voting 73, as follows:

[Roll No. 104]

YEAS—188

Abernethy	Gerlach	Manasco
Allen, Ill.	Gilchrist	Mason
Andersen,	Gillette	Miller, Pa.
H. Carl	Gillie	Monkiewicz
Anderson,	Goodwin	Monroney
N. Mex.	Gordon	Morrison, La.
Andrews, Ala.	Gorski	Mruk
Baldwin, Md.	Gossett	Murray, Tenn.
Barrett	Graham	Myers
Barry	Grant, Ala.	Newsome
Bates, Mass.	Grant, Ind.	Norman
Beali	Gregory	Norrell
Bell	Griffiths	O'Brien, Ill.
Bender	Hare	O'Brien, N. Y.
Bennett, Mich.	Harris, Va.	O'Hara
Bennett, Mo.	Hart	O'Konski
Bishop	Hartley	Pittenger
Bonner	Hébert	Ploesser
Bradley, Pa.	Hefernan	Poage
Brehm	Hendricks	Poulson
Brown, Ga.	Hess	Pracht,
Brumbaugh	Hill	C. Frederick
Bryson	Hinshaw	Price
Buckley	Hobbs	Ramspeck
Buffett	Hoch	Randolph
Bulwinkle	Hoffman	Rankin
Burch, Va.	Hollifield	Reed, Ill.
Burchill, N. Y.	Holmes, Mass.	Rees, Kans.
Busbey	Hope	Richards
Butler	Huil	Rizley
Byrne	Izac	Robertson
Camp	Jackson	Robinson, Utah
Cannon, Mo.	Jeffrey	Robison, Ky.
Capozzoli	Jenkins	Rockwell
Carlson, Kans.	Jensen	Rooney
Carrier	Johnson,	Rowe
Carson, Ohio	Anton J.	Sasser
Chenoweth	Johnson, Ward	Satterfield
Clevenger	Jones	Scanlon
Compton	Jonkman	Schwabe
Courtney	Keefe	Serviner
Cox	Kelley	Sikes
Cravens	Keogh	Smith, Ohio
Crosser	Kerr	Smith, Va.
Curley	Kilday	Smith, W. Va.
D'Alesandro	Kinzer	Smith, Wis.
Davis	Kirwan	Somers, N. Y.
Delaney	Kleberg	Springer
Dingell	LaFollette	Starnes, Ala.
Drewry	Lambertson	Stockman
Dworshak	Lane	Sullivan
Eaton	Lanham	Sumner, Ill.
Eberharter	Larcade	Sundstrom
Elliott	LeCompte	Talbot
Ellsworth	Lesinski	Tarver
Engle, Calif.	Lynch	Tolan
Feighan	McConnell	Vincent, Ky.
Fisher	McCowan	West
Fogarty	McGehee	White
Forand	McGregor	Wilson
Fulmer	McMillan	Winstead
Furlong	McWilliams	Wolcott
Gallagher	Madden	Wolfenden, Pa.
Gathings	Maloney	Woodrum, Va.

NAYS—169

Allen, La.	Auchincloss	Bloom
Anderson, Calif.	Baldwin, N. Y.	Bolton
Andersen,	Barden	Brooks
August H.	Bates, Ky.	Brown, Ohio
Andrews, N. Y.	Beckworth	Buck
Angell	Blackney	Burgin
Arends	Eland	Canfield

Carter	Johnson, Ind.	Russell
Case	Johnson,	Sabath
Celler	J. Leroy	Sadowski
Chapman	Johnson,	Schiffner
Church	Lyndon B.	Shaffer
Clark	Johnson, Okla	Sheppard
Clason	Judd	Short
Cochran	Kean	Simpson, Ill.
Coffee	Kee	Simpson, Pa.
Cole, Mo.	Kefauver	Slaughter
Cole, N. Y.	King	Smith, Maine
Colmer	Knutson	Snyder
Cooley	Kunkel	Sparkman
Cooper	Lea	Spence
Costello	LeFevre	Stanley
Crawford	Luce	Stearns, N. H.
Cunningham	Ludlow	Stefan
Curtis	McCormack	Stevenson
Dawson	McKenzie	Stigler
Day	McLean	Summers, Tex.
Dewey	Maas	Taber
Dickstein	Mahon	Talle
Dondero	Mansfield,	Thomas, N. J.
Doughton	Mont.	Thomas, Tex.
Durham	Marcantonio	Thomason
Ellis	Martin, Iowa	Tibbott
Ellison, Md.	Martin, Mass.	Torrens
Elston, Ohio	May	Towe
Engel, Mich.	Michener	Troutman
Fellows	Miller, Conn.	Vinson, Ga.
Fenton	Miller, Nebr.	Vorys, Ohio
Fernandez	Mott	Vursell
Flannagan	Mundt	Wadsworth
Folger	Murray, Wis.	Walter
Gale	Norton	Ward
Gamble	O'Brien, Mich.	Weichel, Ohio
Gearhart	O'Neal	Weiss
Gore	O'Toole	Welch
Gwynne	Outland	Wene
Hall,	Pace	Whittington
Leonard W.	Patton	Wickersham
Halleck	Philbin	Wigglesworth
Hancock	Powers	Wiley
Harness, Ind.	Pratt,	Winter
Harris, Ark.	Joseph M.	Wolverton, N. J.
Harris	Priest	Worley
Herter	Ramey	Wright
Hoeven	Rivers	Zimmerman
Holmes, Wash.	Rodgers, Pa.	
Horan	Rogers, Mass.	
Howell	Rohrbough	
Jarman	Rolph	
Jennings	Rowan	

NOT VOTING—73

Arnold	Hagen	Murdock
Boren	Hale	Murphy
Boykin	Hall,	O'Connor
Bradley, Mich.	Edwin Arthur	Patman
Burdick	Harless, Ariz.	Peterson, Fla.
Cannon, Fla.	Heidinger	Peterson, Ga.
Chipherfield	Johnson,	Pfeifer
Dies	Calvin D.	Phillips
Dilweg	Johnson,	Plumley
Dirksen	Luther A.	Rabaut
Disney	Kearney	Reece, Tenn.
Douglas	Kennedy	Reed, N. Y.
Elmer	Kilburn	Sauthoff
Fay	Klein	Scott
Flsh	Landis	Sheridan
Fitzpatrick	Lemke	Stewart
Ford	Lewis	Taylor
Fulbright	McCord	Treadway
Fuller	McMurray	Voorhis, Calif.
Gavin	Magnuson	Wasielewski
Gibson	Mansfield, Tex.	Weaver
Gifford	Merritt	Whelchel, Ga.
Gillespie	Morrow	Whitten
Granger	Miller, Mo.	Woodruff, Mich.
Green	Millis	
Gross	Morrison, N. C.	

So the recommendation of the Committee of the Whole House on the state of the Union that the enacting clause be stricken out was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Taylor for, with Mr. Gifford against.
Mr. Miller of Missouri for, with Mr. Kilburn against.

Until further notice:

General pairs:

Mr. Kennedy with Mr. Dirksen.
Mr. Rabaut with Mr. Elmer.
Mr. Sheridan with Mr. Heidinger.
Mr. Klein with Mr. Scott.
Mr. Voorhis of California with Mr. Reed of New York.

Mr. Whitten with Mr. Gavin.
Mr. Fay with Mr. Douglas.
Mr. Boykin with Mr. Arnold.
Mr. McMurray with Mr. Calvin D. Johnson.
Mr. Pfeifer with Mr. Landis.
Mr. Mills with Mr. Kearney.
Mr. Harless of Arizona with Mr. Hale.
Mr. Merritt with Mr. Plumley.
Mr. Dilweg with Mr. Gross.
Mr. Cannon of Florida with Mr. Phillips.
Mr. Luther A. Johnson with Mr. Gillespie.
Mr. Peterson of Georgia with Mr. Woodruff of Michigan.

Mr. Murphy with Mr. Lewis.
Mr. Weaver with Mr. Fish.
Mr. Magnuson with Mr. Edwin Arthur Hall.
Mr. Wasielewski with Mr. Bradley of Michigan.

Mr. McCord with Mr. Chipfield.
Mr. Mansfield of Texas with Mr. Lemke.
Mr. Peterson of Florida with Mr. Fuller.
Mr. Fulbright with Mr. Merrow.
Mr. Disney with Mr. Reece of Tennessee.
Mr. Boren with Mr. Sauthoff.
Mr. Gibson with Mr. Treadway.
Mr. Murdock with Mr. Hagen.
Mr. Granger with Mr. Burdick.

Mr. FLANNAGAN changed his vote from yea to nay.

Mr. CANNON of Missouri changed his vote from nay to yea.

Mr. KNUTSON changed his vote from yea to nay.

Mr. BEALL changed his vote from nay to yea.

Mr. AUCHINCLOSS changed his vote from yea to nay.

Mr. O'BRIEN of New York changed his vote from nay to yea.

Mr. CROSSER changed his vote from nay to yea.

The result of the vote was announced as above recorded.

On motion of Mr. IZAC, a motion to reconsider the vote by which the enacting clause was stricken out was laid on the table.

EXTENSION OF REMARKS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from New York [Mr. Mruk] have permission to extend his own remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

(By unanimous consent, Mr. BROOKS received permission to revise and extend his remarks.)

Mr. MUNDT. Mr. Speaker, I ask unanimous consent that I may extend my remarks in the RECORD and include an editorial from Collier's magazine in support of the Dies committee.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. AUCHINCLOSS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein certain quotations.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. MURRAY of Wisconsin. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein a letter from the United States Department of Agriculture.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

TERMINATION OF WAR CONTRACTS

Mr. SUMNERS of Texas. Mr. Speaker, I ask unanimous consent that the conferees on the part of the House may have until midnight tonight to file a conference report and statement to accompany the bill S. 1718.

The SPEAKER. Is there objection?

There was no objection.

The conference report and statement follow:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

"OBJECTIVES OF THE ACT

"SECTION 1. The Congress hereby declares that the objectives of this Act are—

"(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

"(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement;

"(c) to assure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing;

"(d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;

"(e) to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;

"(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

"SURVEILLANCE BY CONGRESS

"SEC. 2. (a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act.

"(b) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his

duties and authority under this Act, the status of contract terminations, termination settlements, and interim financing and such other pertinent information on the administration of the Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

"DEFINITIONS

"SEC. 3. As used in this Act—

"(a) The term 'prime contract' means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term 'prime contractor' means any holder of one or more prime contracts.

"(b) The term 'subcontract' means any contract, agreement, or purchase order heretofore or hereafter entered into to perform any work, or to make or furnish any material to the extent that such work or material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term 'subcontractor' means any holder of one or more subcontracts.

"(c) The term 'war contract' means a prime contract or a subcontract; and the term 'war contractor' means any holder of one or more war contracts.

"(d) The terms 'termination', 'terminate', and 'terminated' refer to the termination or cancellation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

"(e) The term 'material' includes any article, commodity, machinery, equipment, accessory, part, component, assembly, work in process, maintenance, repair, and operating supplies, and any product of any kind.

"(f) The term 'Government agency' means any executive department of the Government, or any administrative unit or subdivision thereof, any independent agency or any corporation owned or controlled by the United States in the executive branch of the Government, and includes any contracting agency.

"(g) The term 'contracting agency' means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board.

"(h) The term 'termination claim' means any claim or demand by a war contractor for fair compensation for the termination of any war contract and any other claim under a terminated war contract, which regulations prescribed under this Act authorize to be asserted and settled in connection with any termination settlement.

"(i) The term 'interim financing' includes advance payments, partial payments, loans, discounts, advances, and commitments in connection therewith, and guaranties of loans, discounts, advances, and commitments in connection therewith and any other type of financing made in contemplation of or related to termination of war contracts.

"(j) The term 'Director' means the Director of Contract Settlement.

"(k) The term 'person' means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

"(l) The term 'termination inventory' means any materials (including a proper part of any common materials), properly allocable to the terminated portion of a war contract, except any machinery or equipment subject to a separate contract specifically governing the use or disposition thereof.

"(m) The term 'final and conclusive', as applied to any settlement, finding, or decision, means that such settlement, finding, or decision shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of the United States or in any suit, action, or proceeding except as provided in this Act.

"DIRECTOR OF CONTRACT SETTLEMENT

"SEC. 4 (a) There is hereby established the Office of Contract Settlement which shall be headed by the Director of Contract Settlement. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per year, and shall serve for a term of two years.

"(b) In order to insure uniform and efficient administration of the provisions of this Act, the Director, subject to such provisions, by general orders or general regulations—

"(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this Act; and

"(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this Act.

"(c) The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this Act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section. Each Government agency shall carry out such orders and regulations of the Director expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary to carry out the policies, principles, methods, procedures, and standards prescribed by the Director. Any Government agency may issue such further regulations not inconsistent with the general orders or regulations of the Director as it deems necessary or desirable to carry out the provisions of this Act.

"(d) The Director may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel in accordance with the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this Act. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may appoint a Deputy Director and may employ certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and fix their compensation, and contract with certified public accounting firms and qualified firms of engineers in the discharge of the duties imposed upon him and in furtherance of the objectives and policies of this Act. The Director shall perform the duties imposed upon him through the personnel and facilities of the contracting agencies and other established Government agencies, to the extent that this does not interfere with the function of the Director to insure uniform and efficient administration of the provisions of this Act.

"(e) All orders and regulations prescribed by the Director or any Government agency under this Act shall be published in the Federal Register.

"CONTRACT SETTLEMENT ADVISORY BOARD

"SEC. 5. There is hereby created a Contract Settlement Advisory Board, with which the Director shall advise and consult. The Board shall be composed of the Director, who shall act as its Chairman, and of the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Mar-

time Commission, the Administrator of the Foreign Economic Administration, the chairman of the board of directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the chairman of the board of directors of the Smaller War Plants Corporation, and the Attorney General or any alternate or representative designated by any of them. The Director shall request other Government agencies to participate in the deliberations of the Board whenever matters specially affecting them are under consideration.

"Sec. 6. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, to provide war contractors with speedy and fair compensation for the termination of any war contract, in accordance with and subject to the provisions of this Act, giving priority to contractors whose facilities are privately owned or privately operated. Such fair compensation for the termination of subcontracts shall be based on the same principles as compensation for the termination of prime contracts.

"(b) Each contracting agency shall establish methods and standards, suitable to the conditions of various war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work under the terminated contract, or on any other equitable basis, as it deems appropriate. To the extent that such methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

"(c) Any contracting agency may settle all or any part of any termination claim under any war contract by agreement with the war contractor, or by determination of the amount due on the claim or part thereof without such agreement, or by any combination of these methods. Where any such settlement is made by agreement, the settlement shall be final and conclusive, except (1) to the extent otherwise agreed in the settlement; (2) for fraud; (3) upon renegotiation to eliminate excessive profits under the Renegotiation Act, unless exempt or exempted under that Act; or (4) by mutual agreement before or after payment. Where any such settlement is made by determination without agreement, it shall likewise be final and conclusive, subject to the same exceptions as if made by agreement, unless the war contractor appeals or brings suit in accordance with section 13 of this Act: *Provided*, That no settlement agreement hereunder involving payment to a war contractor of an amount in excess of \$50,000 (or such lesser amount as the Director may from time to time determine) shall become binding upon the Government until the agreement has been reviewed and approved by a settlement review board of three or more members established by the contracting agency in the bureau, division, regional or district office, or other unit of the contracting agency authorized to make such settlement, or in the event of disapproval by the settlement review board, unless approved by the head of such bureau, division, regional or district office, or other unit. Failure of the settlement review board to act upon any settlement within 30 days after its submission to the board shall operate as approval by the board. The sole function of settlement review boards shall be to determine the overall reasonableness of proposed settlement agreements from the point of view of protecting the interests of the Government. In determining, for purposes of this subsection, whether review of any settlement agreement is required because of the amounts involved, no deduction shall be made on account of

credits for property chargeable to the Government or for advance or partial payments, but amounts payable under such settlement agreement for completed articles or work at the contract price and for the discharge of the termination claims of subcontractors shall be deducted.

"(d) Except as hereinafter provided, the methods and standards established under subsection (b) of this section for determining fair compensation for termination claims which are not settled by agreement shall be designed to compensate the war contractor fairly for the termination of the war contract, taking into account:

"(1) the direct and indirect manufacturing, selling and distribution, administrative and other costs and expenses incurred by the war contractor which are reasonably necessary for the performance of the war contract and properly allocable to the terminated portion thereof under recognized commercial accounting practices; and

"(2) reasonable costs and expenses of settling termination claims of subcontractors related to the terminated portion of the war contract; and

"(3) reasonable accounting, legal, clerical, and other costs and expenses incident to termination and settlement of the terminated war contract; and

"(4) reasonable costs and expenses of removing, preserving, storing and disposing of termination inventories; and

"(5) such allowance for profit on the preparations made and work done for the terminated portion of the war contract as is reasonable under the circumstances; and

"(6) interest on the termination claim in accordance with subsection (f) of this section; and

"(7) the contract price and all amounts otherwise paid or payable under the contract.

"The following shall not be included as elements of cost:

"(i) Losses on other contracts, or from sales or exchanges of capital assets, fees and other expenses in connection with reorganization or recapitalization, antitrust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government (except as provided in paragraph (3) above); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

"(ii) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

"(iii) Expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

"(iv) Costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

"The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (d) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

"Where the small size of claims of the nature of production or performance or other factors make it impracticable to apply the principles stated in this subsection (d) to any class of settlements which are subject to this subsection (d), the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims. The aggregate amount of compensation allowed in accordance with this subsection (excluding amounts allowed under paragraphs (3) and (4) above) shall not exceed the total contract price reduced by the amount of payments otherwise made or to be made under the contract.

"(e) In order to carry out the objectives of this Act, termination claims shall be settled by agreement to the maximum extent feasible and the methods and standards established under subsection (b) of this section shall be designed to facilitate such settlements. To the extent that he deems it practicable to do so without impeding expeditious settlements, the Director shall require the contracting agencies to take into account the factors enumerated in subsection (d) above in establishing methods and standards for determining fair compensation in the settlement of termination claims by agreement.

"(f) Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of 2½ per centum per annum for the period beginning thirty days after the date fixed for termination and ending with the date of final payment, except that (1) if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue for the period of such delay, (2) if interest for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder, and (3) if after delivery of findings by a contracting agency, the contractor appeals or sues as provided in section 13, interest shall not accrue after the thirtieth day following the delivery of the findings on any amount allowed by such findings, unless such amount is increased upon such appeal or suit. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis and subject to the same conditions as are applicable to a prime contractor.

"(g) Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

"Sec. 7. (a) Where, in connection with the settlement of any termination claim by a contracting agency, any war contractor makes settlements of the termination claims of his subcontractors, the contracting agency shall limit or omit its review of such settlements with subcontractors to the maximum extent compatible with the public interest. Any contracting agency (1) may approve, ratify, or authorize such settlements with subcontractors upon such evidence, terms, and conditions as it deems proper; (2) shall vary the scope and intensity of its review of such settlements according to the reliability of the war contractor, the size, number, and complexity of such claims, and other relevant factors; and (3) shall authorize war contractors to make such settlements with subcontractors without review by the contracting agency, whenever the reliability of the war contractor, the amount or nature of the claims, or other reasons appear to the contracting agency to justify such action. Any such settlement of a subcontract approved, ratified, or authorized by a contracting agency shall be final and conclusive as to the amount due to the same extent as a settlement under subsection (c) of section 6 of this Act, and no war contractor shall be liable to the United States on account of any amounts paid thereon except for his own fraud.

"(b) Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments to the war contractor on account of termination claims of subcontractors of such war contractor to such extent and in such manner as it deems necessary or desirable for the purpose of assuring the receipt of the benefit of such payments by the subcontractors.

"(c) The Director shall prescribe policies and methods for the settlement as a group, or otherwise, by any contracting agency of some or all of the termination claims of a war contractor under war contracts with one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. After consulting with the contracting agencies concerned, the Director may provide for assigning any war contractor to a contracting agency for such settlement, and such agency shall have authority to settle, on behalf of any other contracting agency, some or all of the termination claims of such war contractor.

"(d) Any contracting agency may settle directly termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. In making such termination settlements any contracting agency may discharge the claim of the subcontractor by payment or may purchase such claim, and may agree to assume, or indemnify the subcontractor against, any claims by any person in connection with such claim or the termination settlement. Any contracting agency undertaking to settle the termination claim of any subcontractor shall deliver to the subcontractor and the war contractor liable to him written notice stating its acceptance of responsibility for settling his claim and the conditions applicable thereto, which may include the release, or assignment to the contracting agency, of his claim against the war contractor liable to him; upon consent thereto by the subcontractor, the Government shall become liable for the settlement of his claims upon the conditions specified in the notice.

"(e) Any contracting agency may make settlements with subcontractors in accordance with any of the provisions of this Act without regard to any limitation on the amount payable by the Government to the prime contractor.

"(f) If any contracting agency determines that in the circumstances of a particular case equity and good conscience require fair compensation for the termination of a war contract to be paid to a subcontractor who has been deprived of and cannot otherwise reasonably secure such fair compensation, the contracting agency concerned may pay such compensation to him although such compensation already has been included and paid as part of a settlement with another war contractor.

"INTERIM FINANCING

"SEC. 8. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, in accordance with and subject to the provisions of this Act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within thirty days after proper application therefor.

"(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guarantees in connection therewith, in contemplation of or related to termination of war contracts. Where interim financing is made by advance payments or partial payments, it shall, insofar as practicable, consist of the following:

"(1) An amount equal to 100 per centum of the amount payable, at the contract price, on account of acceptable items completed prior to the termination date under the terms of the contract, or completed thereafter with the approval of the contracting agency; plus

"(2) An amount equal to 90 per centum of the cost of raw materials, purchased parts, supplies, direct labor, and manufacturing overhead allocable to the terminated portion of the war contract; plus

"(3) A reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated portion of the war contract not included in the foregoing; plus

"(4) Such additional amounts, if any, as the contracting agency deems necessary to provide the war contractor with adequate interim financing.

"(5) In lieu of the costs referred to in clauses (2) and (3) of this subsection, where a detailed ascertainment of such costs is not suitable to the conditions of any war contractor and is apt to cause delay in the obtaining of interim financing by him, that portion of such interim financing shall be equal to an amount not greater than 90 per centum of the estimated costs which are allocable to the terminated part or parts of the war contract or group of war contracts, and are ascertained in accordance with such methods and standards as the Director shall prescribe.

"(6) There shall be deducted from the amount of such interim financing any unliquidated balances of advance and partial payments theretofore made to such war contractor, which are allocable to the terminated war contract or the terminated part of the war contract.

"(c) The Director shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made including the use of standard forms for agreements with respect to such interim financing to the extent practicable; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speedy interim financing to subcontractors of the war contractor.

"(d) In case of an overstatement by any war contractor of the amount due on his termination claim or claims in connection with any interim financing under this Act, such contractor shall pay to the United States as a penalty, an amount equal to 6 per centum of the amount of the overstatement, but the Director may suspend or modify any such penalty if in his opinion the imposition thereof would be inequitable. Any penalty may be deducted from any amounts due the war contractor upon such termination claim or claims, or otherwise, or may be collected from the war contractor by suit. The obligation to pay any penalty imposed and to repay any interim financing made or assumed by the United States under this Act shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).

"(e) Any contracting agency may allow any advance payments, previously made or authorized by it in connection with the performance of a war contract, to be used for payments and expenses related to the termination settlement of such contract, upon such terms and conditions as it deems necessary or appropriate to protect the interest of the Government.

"(f) No interim financing shall be made by any contracting agency under this Act unless the terms of such financing provide for the liquidation by the war contractor of all loans, discounts, advance payments, or par-

tial payments thereunder not later than the time of final payment of the amount due on the settlement of the termination claim or claims of the war contractor involved or such time thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.

"(g) Any contracting agency may settle, upon such terms and conditions as it deems proper, any claim or obligation due by or to the Government arising from or related to any interim financing made, acquired, or authorized by it. Any interim financing made, acquired, or authorized by any contracting agency before the effective date of this Act shall be valid to the extent it would be authorized under the provisions of this Act if made after its effective date.

"SEC. 9. (a) Any contracting agency may make advance or partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such advance or partial payments by any war contractor to his subcontractors, upon such conditions as it deems necessary to insure compliance with the provisions of subsection (b) of this section. Each contracting agency shall make final payments from time to time on partial settlements or on settlements fixing a minimum amount due before complete settlement, or as tentative payments before any settlement of the claim or claims.

"(b) Where any such advance or partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, except a final payment on a partial settlement, any amount in excess of the amount finally determined to be due on the termination claim shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand together with a penalty computed at the rate of 6 per centum per annum, for the period from the date such excess advance or partial payment is received to the date on which such excess is repaid or extinguished. Where the advance or partial payment was made by a war contractor and authorized, approved, or ratified by any contracting agency, the war contractor making it shall not be liable for any such excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

"SEC. 10. (a) Any contracting agency is authorized—

"(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of the termination of one or more such war contracts or operations;

"(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

"(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such

war contracts or operations, or in such other manner as the contracting agency may prescribe.

"(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

"(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.

"ADVANCE NOTICE

"SEC. 11. (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, each contracting agency—

"(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

"(2) shall establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination; and

"(3) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

"(b) Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for thirty days or more, the contractor may elect to treat it as a termination by delivering written notice of his election so to do to the contracting agency, at any time before the contracting agency directs the prime contractor to resume work under the contract.

"(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies.

"REMOVAL AND STORAGE OF MATERIALS

"SEC. 12. (a) It is the policy of the Government, upon the termination of any war contract, to assure the expeditious removal from the plant of the war contractor of the termination inventory not to be retained or sold by the war contractor.

"(b) Any war contractor may submit to the contracting agency concerned or to any other Government agency designated by the Director, one or more statements showing the materials which such war contractor claims to be termination inventory under one or more war contracts and desires to have removed by the Government. Such statements shall be prepared in such form and detail, shall be submitted in such manner, through the prime contractor or otherwise, and shall be supported by such certificates or other data, as may be prescribed under this Act.

"(c) Within sixty days after the submission of any such statement by a war contractor, or such shorter period as may be prescribed under this Act, or within such longer period as the war contractor may agree, the Government agency concerned (1) shall arrange, upon such terms and conditions as may be agreed, for the storage by the war contractor on his own premises or elsewhere of all such claimed termination inventory which the war contractor does not retain or dispose of, except any part which may

be determined not to be allocable to the terminated war contract or contracts, or (2) shall remove from the plant or plants of the war contractor all of such claimed termination inventory not retained, disposed of, or stored by the war contractor or determined not to be allocable to the terminated war contract or contracts.

"(d) Upon the failure of the Government so to arrange for storage by the war contractor or to remove any termination inventory within the period specified under subsection (c) of this section, the war contractor, subject to regulations prescribed under this Act, may remove some or all of such termination inventory from his plant or plants and may store it on his own premises or elsewhere for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation. If any war contractor intends so to remove any claimed termination inventory, he shall deliver to the Government agency concerned written notice of the date fixed for removal and a statement showing the quantities and condition of the materials so to be removed, certified on behalf of the war contractor to have been prepared in accordance with a concurrent physical inventory of such materials. Such notice and statement shall be delivered at least twenty days in advance of the date fixed for removal and may be delivered before or after the expiration of the period specified under subsection (c) of this section. If the Government agency fails to check such materials, at or before the time of their removal by the war contractor, a certificate of the war contractor specifying the materials shown on such statement which were so removed, and filed with the Government agency concerned within thirty days after the date fixed for removal, shall constitute prima facie evidence against the United States as to the quantities and condition of the materials so removed, and the fact of their removal.

"(e) Notwithstanding any other provisions of law, but subject to subsection (h) of this section, the contracting agency concerned or the Director, or any Government agency designated by him, on behalf of the United States may, by the exercise of any contract rights or otherwise, acquire and take possession of any termination inventory of any war contractor, and any materials removed by the Government or stored for its account under subsections (c) and (d) of this section, whether or not such materials are finally determined not to constitute termination inventory. With respect to any such materials, the Government shall be liable to any war contractor concerned only for their return to such war contractor or for their disposal value at the time of their removal or for the proceeds realized by the Government from their disposal, at the election of the Government agency concerned, unless the Government agency and the war contractor agree or have agreed on a different basis. Any amount so paid or payable to a war contractor for materials allocable to a terminated war contract shall be credited against the termination claim under such contract but shall not otherwise affect the amount due on the claim, unless the Government agency concerned and the war contractor agree or have agreed otherwise. Any materials to which the Director takes title under this section shall be delivered for disposal to any appropriate Government agency authorized to make such disposal.

"(f) No contracting agency shall postpone or delay any termination settlement beyond the period specified in subsection (c) of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection (b) of this section.

"(g) Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned ma-

chinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within sixty days after such demand or such other period as may be prescribed under this Act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provision for the retention, storage, maintenance, or disposition of such machinery, tools, or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this Act, may remove all or part of such machinery, tools, or equipment from his plant and may store it on his own premises or elsewhere, for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation.

"(h) Nothing in this Act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any termination inventories and to retain them for their use for any purpose or to dispose of such termination inventories for the purpose of war production, or to authorize any war contractor to retain or dispose of such termination inventories for the purpose of war production.

"(i) Nothing in this section shall be construed to prevent the removal and storage of any termination inventory by any war contractors, at his own risk, at any time after termination of any war contract to which it is allocable.

"APPEAL

"SEC. 13. (a) Whenever the contracting agency responsible for settling any termination claim has not settled the claim by agreement or has so settled only a part of the claim, (1) the contracting agency at any time may determine the amount due on such claim or such unsettled part, and prepare written findings indicating the basis of the determination, and deliver a copy of such findings to the war contractor, or (2) if the termination claim has been submitted in the manner and substantially the form prescribed under this Act, the contracting agency, upon written demand by the war contractor for such findings, shall determine the amount due on the claim or unsettled part and prepare and deliver such findings to the war contractor within ninety days after the receipt by the agency of such demand. In preparing such findings, the contracting agency may require the war contractor to furnish such information and to submit to such audits as may be reasonably necessary for that purpose. Within thirty days after the delivery of any such findings, the contracting agency shall pay to the war contractor at least 90 per centum of the amount thereby determined to be due, after deducting the amount of any outstanding interim financing applicable thereto.

"(b) Whenever any war contractor is aggrieved by the findings of a contracting agency on his claim or part thereof or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

"(1) appeal to the Appeal Board in accordance with subsection (d) of this section; or

"(2) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (28 U. S. C. 41 (20)), except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, or any corporation owned or controlled by the United States, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.

"(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

"(1) When any contracting agency provides a procedure within the agency for protest against such findings or for other appeal therefrom by the war contractor, the war contractor, before proceeding under subsection (b) of this section, (i) in his discretion may resort to such procedure within the time specified in this contract or, if no time is specified, within thirty days after the delivery to him of the findings; and (ii) shall resort to such procedure for protest or other appeal to the extent required by the Director, but failure of the contracting agency to act on any such required protest or appeal within thirty days shall operate as a refusal by the agency to modify its findings. Any revision of the findings by the contracting agency, upon protest or appeal within the agency, shall be treated as the findings of the agency for the purpose of appeal or suit under subsection (b) of this section. Notwithstanding any contrary provision in any war contract, no war contractor shall be required to protest or appeal from such findings within the contracting agency except in accordance with this paragraph.

"(2) A war contractor may initiate proceedings in accordance with subsection (b) of this section (i) within ninety days after delivery to him of the findings by the contracting agency, or (ii) in case of protests or appeal within the agency, within ninety days after the determination of such protest or appeal, or (iii) in case of failure to deliver such findings, within one year after his demand therefor. If he does not initiate such proceedings within the time specified, he shall be precluded thereafter from initiating any proceedings in accordance with subsection (b) of this section, and the findings of the contracting agency shall be final and conclusive, or if no findings were made, he shall be deemed to have waived such termination claim.

"(3) Notwithstanding any contrary provision in any war contract, the Appeal Board or court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that the amount due on his claim or part thereof exceeds the amount allowed by the findings of the contracting agency. Whenever the Appeal Board or court finds that the war contractor failed to negotiate in good faith with the contracting agency for the settlement of his claim or part thereof before appeal or suit thereon, or failed to furnish to the agency any information reasonably requested by it regarding his termination claim or part thereof, or failed to prosecute diligently any protest or appeal required to be taken under subsection (c) (1) (ii) of this section, the Appeal Board or court (i) may refuse to receive in evidence any information not submitted to the contracting agency; (ii) may deny interest on the claim or part thereof for such period as it deems proper; or (iii) may remand the case to the contracting agency for further proceedings upon such terms as the Appeal Board or court may prescribe. Unless the

case is remanded, the Appeal Board or court shall enter the appropriate award or judgment on the basis of the law and facts, and may increase or decrease the amount allowed by the findings of the contracting agency.

"(4) Any such proceedings shall not affect the authority of the contracting agency concerned to make a settlement of the termination claim, or any part thereof, by agreement with the war contractor at any time before such proceedings are concluded.

"(d) (1) The Director shall appoint an Appeal Board, composed of such number of members as he deems necessary from time to time to hear appeals under this section. The members of the Appeal Board shall be qualified and experienced attorneys, engineers, accountants, or persons possessing sufficient business experience or professional skill. He shall, without regard to the provisions of the civil-service laws and the Classification Act of 1923, appoint and fix the compensation and term of office of the members of the Appeal Board: *Provided*, That no member shall receive compensation at a rate in excess of \$10,000 per annum nor be appointed for a term longer than two years.

"(2) Panels of one or more members may act for the Appeal Board and shall sit from time to time in localities throughout the country, reasonably convenient for war contractors having proceedings before them. A panel of one member of the Appeal Board may hear any appeal whenever (i) the amount in controversy in the appeal is \$25,000 or less; or (ii) the amount in controversy exceeds \$25,000, but the war contractor taking the appeal fails to demand a panel of three members at the time of filing his appeal. If the war contractor is aggrieved by the decision of the Appeal Board or panel (other than an order remanding the case to the contracting agency under subsection (c) (3) (iii) of this section), then within ninety days after such decision he may bring suit on the claim or unsettled part thereof in accordance with subsection (b) (2) of this section. Such suit shall proceed as if no appeal had been taken under subsection (b) of this section. All costs of such suit shall be borne by the war contractor unless the court awards such contractor an amount in excess of that allowed by the Appeal Board or panel. Upon failure of the war contractor so to sue within such period, the decision of the Appeal Board or panel shall be final and conclusive.

"(3) The Director or, if authorized by him, the Appeal Board shall prescribe the practice and procedure to govern proceedings for the Appeal Board. The Appeal Board or any panel thereof shall have power to administer oaths to witnesses and to compel by subpoena the attendance of witnesses, and the production of books, papers, documents, and other records. All provisions of law (including penalties and provisions relating to self-incrimination) applicable with respect to subpoenas issued under the Federal Trade Commission Act shall be applicable with respect to subpoenas issued by the Appeal Board insofar as such provisions are not inconsistent with the provisions of this Act.

"(e) The contracting agency responsible for settling any claim and the war contractor asserting the claim, by agreement, may submit all or any part of the termination claim to arbitration, without regard to the amount in dispute. Such arbitration proceedings shall be governed by the provisions of the United States Arbitration Act to the same extent as if authorized by an effective agreement in writing between the Government and the war contractor. Any such arbitration award shall be final and conclusive upon the United States to the same extent as a settlement under subsection (c) of section 6, but shall not be subject to approval by any settlement review board.

"(f) Whenever any dispute exists between any war contractor and a subcontractor re-

garding any termination claim, either of them, by agreement with the other, may submit the dispute—

"(1) to the Appeal Board in accordance with subsection (d) of this section;

"(2) to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director.

"Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in setting any related claim, in the absence of fraud or collusion.

"COURT OF CLAIMS

"SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301, 43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

"(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all persons with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. If the name and address of any such person is known or can be ascertained by reasonable diligence, and if he resides within the jurisdiction of the United States, he shall be summoned to appear by personal service; but if any such person resides outside of the jurisdiction of the United States, or is unknown, or if for any other good and sufficient reason appearing to the court personal service cannot be had, he may be summoned by publication, under such rules as the court may adopt, together with a copy of the summons mailed by registered mail to such person's last known address. The Court of Claims may, upon motion of the Attorney General, in any suit or proceeding where there may be any number of persons having possible interests therein, notify such persons to appear to assert and defend such interests. Upon failure so to appear, any and all claims or interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment pro confesso upon any claim or contingent claim asserted on behalf of the United States against any person who, having been duly served with summons, fails to respond thereto, to the same extent and with like effect as if such person had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any person pursuant to any such summons or notice, the case as to such person shall, for all purposes, be treated as if an independent proceeding had been instituted by such person pursuant to section 145 of the Judicial Code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and determination, with the case in respect of which the summons or notice was issued, except that the United States shall not be heard upon any counterclaims, claims for damages or other demands whatsoever against such person, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such person shall assert therein a claim, or an interest in a claim,

against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

"(c) The jurisdiction of the Court of Claims shall not be affected by this Act except to the extent necessary to give effect to this Act, and no person shall recover judgment on any claim, or on any interests in any claim, in said court which such person would not have had a right to assert in said court if this section had not been enacted.

"PERSONAL FINANCIAL LIABILITY

"SEC. 15. (a) Whenever any payment is made from Government funds to any war contractor or other person as an advance, partial or final payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment, in the absence of fraud on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

"(b) For the purpose of making termination settlements or interim financing any Government agency is authorized to rely upon such certificates of war contractors as it deems proper and to permit war contractors and other persons to rely upon such certificates without financial liability in the absence of fraud on their part.

"THE GENERAL ACCOUNTING OFFICE

"SEC. 16. (a) Any other provision of law notwithstanding, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud. For this purpose the General Accounting Office shall have the authority to examine any records maintained by any contracting agency or by any war contractor relating to any termination settlement.

"(b) Whenever the Comptroller General is convinced that any settlement was induced by fraud, he shall so certify, together with all the facts relating thereto, to the Department of Justice, to the Director, and to the contracting agency concerned. Upon receipt of such certificate (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in the opinion of the Comptroller General as stated in his certificate, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor. The General Accounting Office shall not suspend credit to any disbursing officer on any disbursements made by him under such settlement in the absence of fraud on his part.

"(c) The Comptroller General may investigate the settlements completed by each con-

tracting agency for the purpose of reporting to the Congress from time to time on—

"(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this Act and the orders and regulations of the Director;

"(2) whether such methods and procedures are followed by such agency with care and efficiency; and

"(3) Whether such methods and procedures adequately protect the interest of the Government.

"If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this Act. At least thirty days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

"(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this Act except to the extent necessary to give effect to the specific provisions thereof.

"DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

"SEC. 17. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a formal contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

"(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

"(c) Where a contracting agency fails to settle by agreement any claim asserted under this section, the dispute shall be subject to the provisions of section 13 of this Act.

"(d) The Director shall require each contracting agency to formalize all such obligations and commitments within such period as the Director deems appropriate.

"RECORDS, FORMS, AND REPORTS

"SEC. 18. (a) The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud and to assure uniformity in administration and to provide for expeditious settlements. For this purpose he shall prescribe (1) such records to be prepared by the contracting agencies and by war contractors as he deems necessary in connection with such settlements and interim financing; and (2) the records in connection therewith to be transmitted to the General Accounting Office. He shall seek to reduce the amount of record keeping, reporting, and accounting in connection with the settlement of termination claims and interim financing to the minimum

compatible with the reasonable protection of the public interest. Each contracting agency shall prescribe forms for use by war contractors in connection with termination settlements and interim financing to the extent it deems necessary and feasible.

"(b) The Director shall require the Government agencies performing functions under this Act to prepare such information and reports regarding terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this Act, and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies. The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this Act, but any such agency, in its discretion, may furnish any such information deemed by it to affect the national security only to the Director himself.

"(c) The Director, by regulation, shall provide for making available to any interested Government agency such advance notice and other information on cut-backs in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.

"(d) The Director shall make such investigations as he deems necessary or desirable in connection with termination settlements and interim financing. For this purpose he may utilize the facilities of any existing agencies and if he determines that the facilities of existing agencies are inadequate, he may establish a unit in the Office of Contract Settlement to supplement and facilitate the work of existing agencies. He shall report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.

"(e) Whenever any contracting agency or the Director believes that any settlement was induced by fraud, the agency or Director shall report the facts to the Department of Justice. Thereupon, (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in its opinion, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor.

"PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

"SEC. 19. (a) It shall be unlawful for any person willfully to secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed—

"(i) any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation, or other termination, or settlement of a war contract of \$25,000 or more; or

"(ii) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more, until (1) five years after such disposition of termination inventory by such war contractor or Government agency, or (2) five years after the final settlement of such war contract, or (3) five years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent

resolution of the two Houses of Congress, whichever applicable period is longer.

"As used in this subsection, the term 'records' includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than five years, or both: *Provided, however*, That the Director, by regulation, may authorize the destruction of such records upon such terms and conditions as he deems appropriate, which may include the making and retaining of photographs or microphotographs. Photographs or microphotographs of any records made in compliance with such regulations of the Director shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of admissibility in evidence.

"(b) The first section of the Act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until three years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law."

"(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or compensation, allowance, loan, advance, or Government agency in connection with the termination, cancellation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States or with any other person, and every person who enters into an agreement, combination, or conspiracy to do, (1) shall pay to the United States an amount equal to 25 per centum of any amount thereby sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof and (3) shall in addition pay to the United States the sum of \$2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

"(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

"(d) The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this Act or under any regulations pursuant to this Act.

"(e) It shall be unlawful for any person employed in any Government agency, including commissioned officers assigned to duty in such agency, during the period such person is engaged in such employment or service, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States, or for any such person within two years after the time when such employment or service has ceased, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States involving any subject matter directly connected with which such person was so employed or performed duty. Any person violating any provision of this subsection shall be fined not more than \$10,000 or imprisoned for not more than one year, or both.

"GENERAL PROVISIONS

"SEC. 20. (a) Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this Act, (1) to make any contract necessary and appropriate to carry out the provisions of this Act; (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems necessary and appropriate to carry out the provisions of this Act; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any contracting agency under the First War Powers Act, 1941, or under any other statute.

"(b) Any contracting agency may prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this Act. Any determination so made that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this Act.

"(c) There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this Act.

"(d) All policies and procedures relating to termination of war contracts, termination settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by the Director in accordance with this Act, or by regulations of the contracting agency not inconsistent with this Act or the policies prescribed by the Director.

"(e) Nothing in this Act shall be deemed to impair or modify any war contract or any term or provision of any war contract or

any assignment of any claim under a war contract, without the consent of the parties thereto, if the war contract, or the term, provision, or assignment thereof, is otherwise valid.

"(f) Any contracting agency may authorize or direct its officers and employees, as a part of their official duties, to advise, aid, and assist war contractors in preparing and presenting termination claims, in obtaining interim financing, and in related matters, to such extent as it deems desirable. Such advice, aid, or assistance shall not constitute a violation of section 109 of the Criminal Code (18 U. S. C. 198) or of any other law, provided the officer or employee does not receive therefor benefit or compensation of any kind, directly or indirectly, from any war contractor.

"(g) The Smaller War Plants Corporation is hereby directed—

"(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this Act and the regulations of the Director; and

"(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guaranties, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

"OTHER FUNCTIONS OF THE DIRECTOR

"SEC. 21. In addition to his other functions under this Act, the Director shall—

"(a) promote the training of personnel for termination settlement and interim financing by contracting agencies, war contractors, and financing institutions;

"(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing;

"(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible; and

"(d) consult with war contractors through advisory committees or such other methods as he deems appropriate.

"USE OF APPROPRIATED FUNDS

"SEC. 22. Any contracting agency is authorized—

"(a) to use for interim financing, the payment of claims, and for any other purposes authorized in this Act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

"(b) to use any such funds appropriated, allocated, or available to it for expenditures for or in behalf of any other contracting agency for the purposes authorized in this Act; and

"(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

"DELEGATION OF AUTHORITY"

"Sec. 23. (a) The Director may delegate any authority and discretion conferred upon him by this Act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

"(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer, agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

"(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

"(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute.

"APPLICABILITY"

"Sec. 24. (a) This Act shall become effective twenty days after the date of its enactment. With the exception of the provisions of paragraphs (b), (c), (d), and (e) of section 12, and of sections 6, 7, 8, 9, 10, and 13 this Act shall be applicable in the case of any terminated war contract which has been finally settled at or before the effective date of this Act.

"(b) Nothing in this Act shall limit or affect any authority conferred by the Act of March 11, 1941 (55 Stat. 31), as amended, or Acts supplemental thereto.

"Sec. 25. Subject to policies prescribed by the Director, any contracting agency may exempt from some or all of the provisions of this Act (a) any war contract made or to be performed outside the continental limits of the United States or in Alaska, or (b) any termination inventory situated outside of the continental limits of the United States or in Alaska, or (c) any modification of a war contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

"SEPARABILITY OF PROVISIONS"

"Sec. 26. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

"SHORT TITLE"

"Sec. 27. This Act may be cited as the 'Contract Settlement Act of 1944.'"

And the House agree to the same.

HATTON W. SUMNERS,
FRANCIS E. WALTER,
ESTES KEFAUVER,
C. E. HANCOCK,
JOHN W. GWYNNE,

Managers on the part of the House.

JAMES E. MURRAY,
EDWIN C. JOHNSON,
MON C. WALLGREN,
CHAN GURNEY,
CHAPMAN REVERCOMB,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House amendment struck out all of the Senate bill after the enacting clause. The committee of conference recommends that the Senate recede from its disagreement to the amendment of the House, with an amendment which is a substitute for both the Senate bill and the House amendment, and that the House agree to the same.

The differences between the House amendment and the proposed conference substitute are noted in the following statement, except for incidental changes made necessary by reason of agreements reached, and minor clarifying changes.

The House amendment added the War Production Board to the agencies defined under section 3 (g) as contracting agencies. The conference agreement retains this provision.

In addition to the accountants, engineers, appraisers, and other experts which the Director under the House amendment is authorized to employ without regard to the civil-service laws, the conference agreement adds authority to appoint a Deputy Director and authority of the Director to fix the compensation of such employees.

The conference agreement retains the House floor amendment which required review of settlements in excess of \$50,000 by settlement review boards within the contracting agencies. The amendment, however, would not subject to approval of such settlement review boards any arbitration award. Minor changes of clarifying nature were made in the provision and a further provision was made that failure of the settlement review board to act upon a settlement within thirty days after its submission shall operate as approval by the board.

Section 6 (d) of the House amendment enumerated various specific items of cost to be considered, to the extent allocable, and other items to be excluded, in establishing methods and standards for settling claims not settled by agreement. The Senate bill contained no comparable provision.

The conference agreement revises this House provision to state more concisely and in more general terms the costs to be taken into account for such purpose. The conference agreement retains the enumeration in the House amendment of costs to be excluded except that item (v), dealing with costs charged off during a period covered by a previous renegotiation, is omitted to allow for flexible treatment of this item. The next paragraph of this subsection (from the House amendment) makes it clear that this omission is not intended to imply that this item should be allowed or disallowed and permits the Director to provide for the inclusion or exclusion of this and other costs in accordance with recognized commercial accounting practice.

Subsection 6 (e) of the House amendment, dealing with settlements by agreement, is retained by the conference agreement.

Section 8 (d) of the Senate bill contained a provision permitting the Director to prescribe penalties up to 6 percent for overstatements by contractors on amounts due on their claims in connection with financing, in order to protect the Government's interests. The conferees considered the provision desirable to prevent attempts to secure excessive interim financing. Accordingly, the conference agreement reinstates the provision but provides that the 6 percent penalty shall be automatic unless in the opinion of the Director the imposition thereof would be inequitable.

The House floor amendment prescribing the method for giving notice of cancellation to prime contractors and subcontractors, has been modified by section 11 (a) (2), so as to direct each contracting agency to establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination.

The conference agreement retains the provisions of the House amendment allowing suit

in the court after resort to the appeal board, and also provides that costs of suit shall be taxed against the war contractor unless the court awards the contractor an amount in excess of that allowed by the appeal board or panel.

The House floor amendment limiting the per annum compensation of members of the appeal board to \$10,000, and limiting their terms of office to 2 years, is also retained.

The provision of section 16 (a) of the House amendment specifying the authority of the General Accounting Office to examine records maintained by any contracting agency or by any war contractor relating to any termination settlement, is retained in the conference agreement. Subsection (b) has been rewritten in conference and provides that whenever the Comptroller General is convinced that any settlement was induced by fraud, he shall so certify, together with all the facts relating thereto, to the Department of Justice, to the Director, and to the contracting agency concerned. Upon receiving such certificate (1) the Department of Justice is directed to make an investigation to determine whether the settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold the amount of settlement or portion thereof, which in the opinion of the Comptroller General as stated in his certificate, was affected by the fraud.

The provision of the House amendment providing for a penalty of 25 percent of any amount sought to be secured by fraud, even though such amount may not actually be received, is retained in the conference agreement.

Subsection (e) of section 19 of the House amendment added to the bill a provision making it unlawful for a person who, as a commissioned officer in the Army or the Navy or as an officer or employee of the United States, has at any time during the period from December 7, 1941, until 6 months after the termination of hostilities in the present war, been assigned to duty by the War or Navy Departments, or employed in any agency of the Government, and been engaged on behalf of the United States in procuring or assisting to procure supplies, materials, work, or services for the Government, or engaged in settling or adjusting contracts, from accepting or soliciting employment in presenting, aiding, or assisting for compensation in the prosecution of claims against the United States arising out of any contracts for supplies, materials, or services which were pending or entered into while the officer or employee was associated therewith. A penalty of a fine of not more than \$10,000 or imprisonment for not more than 1 year, or both, was provided for any violation of the provision. Subsection (j) of the Renegotiation Act was to be noneffective after enactment of this legislation.

The conferees agreed to a substitute provision making it unlawful for any person employed in any Government agency, including commissioned officers assigned to duty in such agency during the period such person is engaged in such employment or service, to prosecute, or to act as counsel, attorney, or agent for prosecuting any claim against the United States, or for any such person within 2 years after the time when such employment or service has ceased, to prosecute, or to act as counsel, attorney, or agent for prosecuting any claim against the United States involving any subject matter directly connected with which such person was so employed or performed duty. A penalty consisting of a fine of not more than \$10,000 or imprisonment for not more than 1 year or both, is provided for violations of this provision.

The Senate bill contained a provision requiring that officers and employees of contracting agencies aid war contractors in preparing and presenting termination claims and obtaining interim financing as a part of their official duties, and provided that such assistance should not constitute a violation of section 109 of the Criminal Code. The House amendment qualified this provision to insure that such officers and employees may not receive any benefit or compensation, directly or indirectly from the war contractors. The substance of the provisions of the House amendment were retained in the conference agreement.

The House amendment added a provision to section 20 of the bill reiterating the authority of the Smaller War Plants Corporation to make interim loans and guaranties to small business concerns. This provision is retained in the conference agreement.

HATTON W. SUMNERS,
FRANCIS E. WALTER,
ESTES KEFAUVER,
C. E. HANCOCK,
JOHN W. GWYNNE,

Managers on the part of the House.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 4837. An act to extend for an additional 2 years the suspension in part of the processing tax on coconut oil.

The message also announced that the Senate insists upon its amendments to the bill (H. R. 4967) entitled "An act, making appropriations for the Military Establishment for the fiscal year ending June 30, 1945, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. THOMAS of Oklahoma, Mr. HAYDEN, Mr. OVERTON, Mr. RUSSELL, Mr. TRUMAN, Mr. REYNOLDS, Mr. BRIDGES, Mr. GURNEY, and Mr. BROOKS to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendments to the bill (H. R. 4861) entitled "An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1945, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. O'MAHONEY, Mr. GLASS, Mr. OVERTON, Mr. THOMAS of Oklahoma, Mr. BLBO, Mr. NYE, Mr. HOLMAN, and Mr. BURTON to be the conferees on the part of the Senate.

REGULATION OF INSURANCE BUSINESS

Mr. SABATH. Mr. Speaker, I call up the resolution, House Resolution 422, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 3270) to affirm the intent of the Congress that the regulation of the business of insurance remain within the control of the several States and

that the acts of July 2, 1890, and October 15, 1914, as amended, be not applicable to that business. That after general debate, which shall be confined to the bill and shall continue not to exceed 3 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SABATH. Mr. Speaker, later on I shall yield 30 minutes to my colleague from Illinois, Mr. ALLEN. I wish to be notified when I have consumed about 7 minutes.

Mr. Speaker, this rule makes in order an extremely important piece of legislation and I feel that each and every Member should be made familiar with the intent of this bill.

This bill comes from the Committee on the Judiciary, and notwithstanding there was a minority report signed by three members of that committee against the bill, the Rules Committee felt that, in view of the urgent request of that committee, a rule should be granted.

It is a very short bill but extremely important, and for the information of the House I shall read what the bill aims to do:

That nothing contained in the act of July 2, 1890, as amended, known as the Sherman Act, or the act of October 15, 1914, as amended, known as the Clayton Act, shall be construed to apply to the business of insurance or to acts in the conduct of that business or in anywise to impair the regulation of that business by the several States.

In other words, it exempts insurance companies and corporations from the Sherman and Clayton Acts. I am doing my duty as chairman of the Committee on Rules in calling up the resolution, and at the same time performing my duty in calling attention to how far reaching this bill is which the resolution makes in order. We have provided for 3 hours of general debate. After that debate the bill will be taken up under the 5-minute rule for amendment.

I fully appreciate that all of the insurance companies, or nearly all of them, their attorneys and their agents have been extremely busy for a long while in the passage of this bill, claiming that the Federal Government should not in any way interfere with State regulation. For that reason they desire to bring about the adoption of this legislation which will bring about that result.

Of course, you are all familiar with the fact that only a few weeks ago the Supreme Court held that the insurance business is interstate business. There were about 163 companies indicted, and the Supreme Court sustained the position of the Government. I feel the adoption of this legislation will nullify the action of the Department of Justice, and may preclude prosecution, although the Supreme Court has held that it has jurisdiction and that insurance is sub-

ject to interstate commerce. I am giving you these facts so that you will know what the bill aims to do. I feel it is a dangerous procedure. I think if the framers of our Constitution did not desire to include insurance companies they would have exempted them. They have not exempted them. The Supreme Court has said that it is interstate business. Many of the insurance companies have conceded many times it is interstate commerce, and in my opinion there is no question about it. Consequently, I feel you gentlemen should have all the information on the proposed legislation before you are called upon to cast your vote.

Mr. Speaker, I do not desire to take any further time. I reserve the balance of my time and I now yield 30 minutes to my colleague, the gentleman from Illinois [Mr. ALLEN].

Mr. ALLEN of Illinois. Mr. Speaker, I yield myself such time as I may require and I ask unanimous consent to revise and extend my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. ALLEN of Illinois. Mr. Speaker, the resolution now before you makes in order the consideration of H. R. 3270, to affirm the intent of Congress that the regulation of the business of insurance remain within the control of the several States and that the acts of July 2, 1890, and October 15, 1914, as amended, be not applicable to the insurance business. That after general debate, which shall be confined to the bill and shall continue not to exceed 3 hours the bill shall be read for amendment under the 5-minute rule. The rule provides for one motion to recommit.

The purpose of the bill is clearly stated in the title, namely, to affirm the intent of Congress that the regulation of the business of insurance remain within the control of the several States, where it now exists. After extensive hearings the Judiciary Committee practically unanimously reported this bill last November. That committee had many witnesses before it. They went into this matter most thoroughly and in great detail. After hearing representatives of the Department of Justice, State officials, representatives of insurance companies, and various experts the committee concluded that regulation of insurance companies should remain under the control of the various States. It has been urged in opposition to this bill that the States do not have power to control the business of insurance effectively and to prevent excesses and unsound monopolistic practices. The hearings disclose that these allegations are not true. Not one practice or excess or abuse has been cited which the States have not adequate power to reach. The record contains letters and telegrams which make it clear that the Governors and insurance officials of the States are satisfied with the powers they possess. They are not calling on Washington for assistance. There has not been any demand by the millions of policyholders to have control in Washington. They desire that it remain under State control instead of Washington

ing to resist the pressures during war-time.

The following letter from Mr. C. E. Burkhead, of the B. A. E., indicates the production and value of the most important farm crops of 1943:

DEPARTMENT OF AGRICULTURE,
BUREAU OF AGRICULTURAL ECONOMICS,
Washington, D. C., June 20, 1944.
Hon. REID F. MURRAY, M. C.,
House Office Building,
Washington, D. C.

DEAR MR. MURRAY: In answer to your request made by telephone today, we are showing below production, and value of production for a number of crops produced in 1943. We have assembled this information in the manner requested by you—by showing the individual crop having the greatest farm value first and other individual crops in descending order.

In case we have omitted a crop (or crops) that you might desire, we are also enclosing a copy of Farm Production, Farm Disposition, and Value of Principal Crops, 1942-43, issued in May of this year and in which you will find additional crops and more complete information for the crops we are showing below.

Production and farm value of crops, United States, 1943

Crop	Unit of production (thousands)	Production	Value of production
			Thous. of dol.
Corn.....	Bushels.....	3, 076, 159	3, 439, 268
Tame hay.....	Million tons.....	87, 264	1, 388, 232
Cotton and cottonseed.....			1, 374, 037
Cotton.....	500-pound bales.....	11, 427	1, 129, 985
Cottonseed.....	Tons.....	4, 688	244, 052
All wheat.....	Bushels.....	836, 298	1, 127, 448
Oats.....	Bushels.....	1, 143, 867	823, 630
Irish potatoes.....	Bushels.....	464, 656	699, 310
Soybeans.....	Bushels.....	195, 762	359, 020
Barley.....	Bushels.....	322, 187	322, 469
Peanuts, all purposes.....	Pounds.....	3, 615, 840	256, 356
Sweet potatoes.....	Bushels.....	72, 572	148, 216
Flaxseed.....	Bushels.....	52, 008	146, 783
Rice.....	Bushels.....	70, 025	127, 369
Beans, dry, edible (cleaned).....	100-pound bags.....	20, 066	121, 208
Sorghums for grain.....	Bushels.....	103, 168	119, 026
Peas, dry field (cleaned).....	100-pound bags.....	9, 997	49, 129
Rye.....	Bushels.....	30, 781	30, 215
Sugarcane for sugar.....	Short ton.....	6, 056	28, 496
Alfalfa seed.....	Bushels.....	1, 115	22, 540
Red clover seed.....	Bushels.....	1, 143	20, 617
Cowpeas.....	Bushels.....	4, 841	16, 185
Lespedeza seed.....	Pounds.....	159, 920	18, 031
Buckwheat.....	Bushels.....	8, 830	10, 730
Popcorn.....	Pounds.....	150, 724	7, 420
Alsike clover.....	Bushels.....	239	3, 862
Timothy seed.....	Bushels.....	1, 500	3, 623
Sweetclover seed.....	Bushels.....	458	2, 630

It is a pleasure for us to serve you and if we can be of further help please do not hesitate to call upon us.

Very truly yours,

C. E. BURKHEAD,
In Charge, Grain Section, Division of
Agricultural Statistics.

Desperate China

EXTENSION OF REMARKS

OF

HON. FRED L. CRAWFORD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 21, 1944

Mr. CRAWFORD. Mr. Speaker, an editorial labeled "Desperate China," in the Washington Post of June 21, 1944,

commenting on the loss of Changsha and the consequent threat to the entire Hankow-Canton railway line, begins as follows:

General Chennault has done more with less than any other commander in this war. He is also a man of uncommon common sense. For these reasons anything he says about the war in China is of impressive authoritative-ness. If the Japanese are successful in clearing the entire Canton-Hankow railroad and building defensive positions on it, he says, the Asiatic war could be prolonged for years.

Once more I want to stress that the American people are concerned about the seriousness of the military situation in China; and as the picture unfolds are becoming daily more aware that if the Japanese succeed in establishing a north-south railway line across China and cleaning up the air bases between that line and the coast, the Allied cause will have suffered a major setback. The fathers and mothers of America, whose sons will be sacrificed in larger numbers if the war in the Far East is thus prolonged, will soon want to know why those who have it in their powers to allocate supplies, especially transport planes, are not leaving General Chennault with enough air transports so that he can get full use out of his air force unit and attain his objectives, one of which is to render the Chinese armies the necessary assistance to check the Japanese advance. The Japanese threat in the Far East at this particular moment is along the interior Chinese railway lines. Let us, first of all, concentrate where the menace is the greatest and give General Chennault and his Chinese and American airmen the support which they require and which they so richly deserve. Men who are familiar with the situation in the India-China area express the opinion that there are enough transport planes in that entire theater of operations to provide General Chennault with the aviation supplies which he requires, provided too many planes are not diverted for other purposes; but should any more planes be required it would seem a comparatively simple matter to allocate a fleet of Douglas Skymasters—C-54-A models—which, as I have pointed out on previous occasions, are so well suited for the over-the-hump service.

The Washington Post editorial of June 21, 1944, read as follows:

DESPERATE CHINA

General Chennault has done more with less than any other commander in this war. He is also a man of uncommon common sense. For these reasons anything he says about the war in China is of impressive authoritative-ness. Evidently he is profoundly concerned with the present Japanese offensive along the Hankow-Canton railroad. If the Japanese are successful in clearing the entire Canton-Hankow railroad and building defensive positions on it, he says, the Asiatic war could be prolonged for years. That is something to ponder over, even as we jubilate over the B-29 attack on Japan. After all, even after we reduce Japan, we shall have to clear the Japanese out of China.

The Japanese drive in China is proceeding from two main directions. In the north the Japanese advance has at last overrun Changsha where thrice in the past the Chinese threw back the invaders. The Chinese once again put up a heroic resistance with the help of the Fourteenth Air Force, whose fight-

ers and bombers have been active over a wide area of the Hunan front. But the enemy is powerful and, except in the air, enjoys great superiority in equipment and fire power. Furthermore, the withdrawal of a large number of seasoned troops from Manchuria after the announcement of the Russo-Japanese pact of March 31 enabled the Japanese to throw into this fourth battle of Changsha more troops than they employed in their previous assaults.

At the same time the Japanese have started a drive north from Canton with the ultimate hope of making junction with their forces now in the vicinity of Changsha. This southern spearhead has got as far as Fengtsun on the railroad 30 miles north of Canton. In itself this latter drive constitutes no real menace to the Chinese since at Fengtsun the Japanese are still 325 miles from Changsha. But in conjunction with the southward drive it means an accentuation of the danger facing our Chinese allies.

The fact must not be forgotten that once in possession of the entire stretch of the Hankow-Canton railroad, the Japanese would have an interior line of communication all the way from Manchuria to South China. Furthermore, the loss of that line by China would cut China in two. And, lastly, Japanese control of the Hankow-Canton line would deprive China and our Fourteenth Air Force of vital airfields from which Japan's supply line along the Formosa Strait has been hard hit. All in all there was never a greater need of reinforcing China's fighting capacity than there is today.

Contract Settlement Act of 1944

SPEECH

OF

HON. W. F. NORRELL

OF ARKANSAS

IN THE HOUSE OF REPRESENTATIVES

Saturday, June 17, 1944

The House in Committee of the Whole House on the state of the Union had under consideration the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes.

Mr. NORRELL. Mr. Chairman, we have about finished consideration of the bill regarding termination of war contracts (S. 1718) in the Committee of the Whole House on the state of the Union. I have supported several amendments to the bill. I think these amendments should have been adopted. Practically all were defeated. No useful purpose could be served at this time by discussing all of the defeated amendments, however, I do want the record to show that I am not entirely satisfied with this bill. I think the most important amendment offered and for which I voted was the amendment submitted by the gentleman from Texas [Mr. THOMASON] beginning on page 94, striking out all of section 16 and inserting the following language:

SEC. 16. Notwithstanding any other provision of this act, all settlements authorized or required to be made by any contracting agency under this act (whether by agreement or by determination without agreement) and all payments authorized or required to be made to any war contractor which (except for this section) would be final, shall be tentative only, and shall not be binding on the United States until the settlement, together with all required supporting data has

been submitted to the General Accounting Office and approved by the Comptroller General of the United States. Any settlement submitted to the General Accounting Office under this section which has not been disapproved by the Comptroller General within 6 months after such submission shall, for the purpose of this section, be considered as having been approved by him.

If the Government makes the advancements to the war contractors as provided in the bill the contractors certainly should be able to finance the operations for a period of 6 months, during which time the Comptroller General's Office could properly audit all such claims. I do not believe that final settlement should be made with any contractor until and after a thorough and complete audit has been made by the Auditorial Department of the United States Government. I am not willing for final settlements to be made without an audit by the General Accounting Office. It would be unwise to permit these claims to be held up indefinitely by the General Accounting Office. However, 90 percent of all undisputed claims could be paid before such audit and the balance could be held back until the claims can be audited by the Comptroller General's Office. The amendment of the gentleman from Texas [Mr. THOMASON] provides that such audit shall be made within 6 months after such submission of the claims to the General Accounting Office. Payments of all disputed claims, of course, should be suspended pending an audit within a period of 6 months.

It is true that the bill provides that in case of fraud the General Accounting Office shall make audits of such fraudulent claims, if any exist; however, sometimes it serves no useful purpose to audit a fraudulent claim after full and final payment has been made. Criminal liability would, of course, exist, but it might be impossible to recover the funds, and, if recoverable, the Government would have to go to great effort and expense. I take the position that an audit should be made within the 6 months' time provided by the Thomason amendment, not that anybody may be dishonest, not solely because of possible fraud, but also because it is possible to correct mistakes and a general audit will save money in many ways especially preventing fraud, mistakes, and theft. I regret sincerely that the Thomason amendment was not adopted, and I feel that this Nation may sustain enormous losses because of the failure to properly safeguard the interest of the Government, the taxpayers, and war contractors, in the termination of these contract.

Flag Day

EXTENSION OF REMARKS

OF

HON. J. HARDIN PETERSON

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 21, 1944

Mr. PETERSON of Florida. Mr. Speaker, we have just celebrated Flag

Day. A very appropriate address concerning Flag Day, made by Fraser S. Gardner, national employment officer for the Disabled American Veterans, before about 1,200 students of the Eastern High School, Washington, D. C., Wednesday forenoon, June 14, 1944, Flag Day, has come to my attention.

Because of the very pertinent statements in this address, I here extend it as part of my remarks, as follows:

Fellow citizens, I am honored by being the representative of the Disabled American Veterans on this program honoring our country's flag. Those men who so gallantly have borne mute evidence of their heroic sacrifice in following the flag in the service of our beloved country, again with love and reverence, salute the emblem of our freedom and our strength—our Nation's flag.

It was during the dark days that followed the Declaration of Independence that efforts to create some semblance of unity and resistance formed the background for the dramatic incident which occurred in the modest shop of a Philadelphia needle woman named Mrs. Betsy Ross. To her shop, in the summer of 1776, came a distinguished group of patriots, headed by General Washington. They had with them a rough sketch for a flag, a symbolic banner behind which they hoped to unite the efforts of the Thirteen Colonies. Thus it was that this needlewoman set herself to the immortal task of making our first Star-Spangled Banner, and, while this particular flag was never formally recognized by Congress, it was used on many occasions before the efforts of Betsy Ross finally culminated in official recognition by the Continental Congress, which, on June 14, 1777, the first birthday of Old Glory, adopted a resolution: "That the flag of the 13 United States be 13 stripes, alternate red and white; that the union be 13 stars, white in a blue field, representing a new constellation."

When the Star-Spangled Banner was first flown at the head of the Continental Army, its general, George Washington, described its symbolism as follows: "We take the stars from heaven, the red from our mother country, separating it by white stripes, thus showing that we have separated from her, and the white stripes shall go down to posterity representing liberty."

Following the cessation of hostilities, and the organization of the United States, under its new national constitution, the flag continued to be modified by the addition of a star and a stripe for each State coming into the Union. After the admission of Kentucky and Vermont, a resolution was adopted in January 1794 making the flag one of 15 stars and 15 stripes.

Realizing that the flag would soon become unwieldy with the addition of a stripe for each State, Capt. Samuel C. Reid, United States Navy, presented to Congress the suggestion that the stripes again be 13 in number, representing the 13 colonies which struggled to found the Nation, and that a star be added to the blue field for each additional State coming into the Union. This suggestion became the text of a resolution by Congress, effective July 4, 1818.

Many years later President Wilson said: "This flag, which we honor and under which we serve, is the emblem of our unity, our power, our thought, and purpose, as a Nation. It has no other character than that which we give it from generation to generation. The choices are ours. It floats in majestic silence above the hosts that execute those choices, whether in peace or in war. And yet, though silent, it speaks to us, speaks to us of the past, of the men and women who went before us, and of the records they wrote upon it."

And, now, ladies and gentlemen, our annual commemoration of Flag Day, first celebrated as such on June 14, 1916, was inau-

gurated by a proclamation by our then President, Woodrow Wilson, reading as follows:

"My fellow countrymen: Many circumstances have recently conspired to turn our thoughts to a critical examination of the conditions of our national life, of the influences which have seemed to threaten to divide us in interest and sympathy, of forces within and forces without that seemed likely to draw us away from the happy traditions of united purpose and action of which we have been so proud. It has, therefore, seemed to me fitting that I should call your attention to the approach of the anniversary of the day upon which the flag of the United States was adopted by the Congress as the emblem of the Union, and to suggest to you that it should this year and in the years to come be given special significance as a day of renewal and reminder, a day upon which we should direct our minds with a special desire of renewal to thoughts of the ideals and principles of which we have sought to make our great Government the embodiment.

"I therefore suggest and request that throughout the Nation and, if possible, in every community the 14th day of June be observed as Flag Day, with special patriotic exercises, at which means shall be taken to give significant expression to our thoughtful love of America, or comprehension of the great mission of liberty and justice to which we have devoted ourselves as a people, our pride in the history and our enthusiasm for the political program of the Nation, our determination to make it greater and purer with each generation, and our resolution to demonstrate to all the world its vital union and sentiment and purpose, accepting only those as true compatriots who feel as we do the compulsion of this supreme allegiance. Let us on that day rededicate ourselves to the Nation 'one and inseparable,' from which every thought that is not worthy of our father's first vows of independence, liberty, and right shall be excluded and in which we shall stand with united hearts, for an America which no man can corrupt, no influence draw away from its ideals, no force divide against itself—a nation signally distinguished among all the nations of mankind for its clear, individual conception alike of its duties and its privileges; its obligations and its rights."

That proclamation was signed by President Woodrow Wilson on May 13, 1916.

Every year since then our country's President has issued a similar proclamation calling upon Americans to commemorate June 14 as Flag Day.

What significance does Flag Day have for us this year, 27 years after the original Flag Day in 1916? Our flag is now again a battle flag, the symbol of our unity in the fight of our country and its allies, to resist, and finally to crush, the wanton aggression of a few nations that have violated all international law and agreements in order to try to take, treacherously and ruthlessly, what they wanted from others.

If their efforts to enforce their will upon others should unfortunately succeed—but it won't—then our own safety and freedoms would become forfeitable at any time.

It is unthinkable to permit the rule of force to be substituted for justice, to permit might to supplant right, to permit rigid regimentation to replace collective cooperation, to permit complete censorship, to squeeze out freedom of the press, to permit dictatorship to drive out democracy. These drastic methods of government, with the complete loss of our prized freedoms, and of our individual opportunities to work for the well-being and happiness of ourselves and our children, would immediately follow the domination of dictatorships.

Our beautiful red, white, and blue flag is now the bright symbol of the determination of all good Americans to protect America, to

June
23

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 23, 1944, for actions of Thursday, June 22, 1944)

(For staff of the Department only)

CONTENTS

Accounting.....32	Flood control.....12,21	Priorities.....53
Agricultural appropria- tion bill (individual items not indexed).....1	Food distribution.....10 27,52	Property requisition.....6
Alcohol.....10	Food production.....37,42	Puerto Rico.....30
Appropriations.....1 2,3,4,5,14,19	Foreign relief.....3	Purchasing.....7
Banking and currency...44	Foreign Service.....47	Reclamation.....28
Claims.....32	Forestry.....35	Records.....34
Commodity Credit.....49	Health.....17	Research.....15,37
Cotton.....3,24,38	Labor.....19,27	Selective service...4,27
Dairy industry.....45	Latin America.....4,41	Small business.....18,31
Economy.....14	Lend-lease.....3	Soil conservation...35,37
Education.....9	Loans, farm.....22,37	Subsidies.....45
Electrification.....35,37	Mail.....26	Textiles.....24,38
Executive authority...10	N.Y.A.....19	Transportation.....4 4,16,29,36,39,50
Exports.....11	Narcotics.....23	Veterans.....40
Farm Credit.....8,37	Personnel.....25,48	War Powers.....13
Farm Security.....20	Post-war planning....39	Wool.....3
	Price control.....14 33,42,43,51	

HOUSE

1. AGRICULTURAL APPROPRIATION BILL. Both Houses received and agreed to the conference report on this bill, H.R. 4443 (pp. 654, 656, 659, 662). The conference report provides "that no part of any funds available to the Department of Agriculture, the War Food Administration, or any bureau, office, corporation, or any agency constituting a part of such Department or Administration shall be used in the fiscal year 1945 for the payment of salary or travel expenses of any person who has been convicted for violating the Act entitled 'An Act to prevent pernicious political activities', approved August 2, 1939, as amended, or who has been found in accordance with the provisions of Section 6 of the Act of July 11, 1919 (18 U.S.C. 201), to have violated or attempted to violate such section which prevents the use of Federal appropriations for the payment of personal services or other expenses designed to influence in any manner a member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any member or through the proper official channels: Provided further, that none of the funds appropriated in this Act for the War Food Administration or any of its constituent agencies shall be paid out for the salary, per diem allowance, or expenses of any person after it is determined by the War Food Administrator that such person has, personally or by letter, demanded that a farmer join the Triple A program as a condition of draft deferment or for the granting of a priority certificate for any rationed article or commodity. Hearings on charges filed with the War Food Administrator shall be held and decisions made within 30 days after such charges are filed with him". This bill will now be sent to the President.

2. WAR DEPARTMENT MILITARY APPROPRIATION BILL. Agreed to the conference report on this bill, H.R. 4697 and acted on items in disagreement (pp. 6644-5). The Senate later agreed to the House amendment (not of agricultural interest) (p. 6584). This bill will now be sent to the President.
3. LEND-LEASE, UNRRA, AND FEA APPROPRIATION BILL. Both Houses received and agreed to the conference report on this bill, H.R. 4937 (pp. 6584, 6648-50), and the House receded and concurred in the Senate amendment providing that \$350,000,000 of lend-lease funds, supplies, and services shall be available to be applied on the U.S. contribution to UNRRA (pp. 6648-50). The report provides for the purchase of "domestic" raw wool and cotton from Government stock piles. This bill will now be sent to the President.
4. WAR AGENCIES APPROPRIATION BILL. Both Houses received, agreed and acted on items in disagreement in the conference report on this bill, H.R. 4879 (pp. 6584, 6650-2). The conference report provides \$62,500,000 (Senate figure) for Selective Service System; \$7,783,000 for ODM's Central Administrative Services with a proviso that funds and functions may be transferred to other agencies; \$778,875 for OCB; \$18,000,000 for Office of Coordinator of Inter-American Affairs; and \$17,000,000 for ODT. This bill will now be sent to the President.
5. D.C. APPROPRIATION BILL. Both Houses received and agreed to the conference report on this bill, H.R. 4861 (pp. 6582-4, 6640-3). This bill will now be sent to the President.
6. PROPERTY REQUISITION. Passed without amendment S. 1748, to continue for one year the Property Requisition Act, and S. 1749, to continue for one year the act authorizing the President to requisition certain articles and materials (p. 6589). This bill will now be sent to the President.
7. WAR CONTRACTS: PURCHASING. Agreed to the conference report on S. 1718, the war-contracts termination bill (pp. 6591-2). This bill will now be sent to the President.
8. FARM CREDIT; FARM SECURITY. Rules Committee reported H.Res. 525, to amend H.Res. 119, by adding a paragraph authorizing the Select (Coolidge) Committee to investigate the activities of FCA (H. Rept. 1718) (pp. 6634, 6653).
9. EDUCATION. Agreed to H.Res. 608, providing \$10,000 for Education Committee's investigation of the effect of certain war activities on colleges and universities (p. 6590).
10. EXECUTIVE AUTHORITY; ALCOHOL. Rep. Jenkins, Ohio, criticized WPB's announcement regarding the manufacture of whiskey, stating that WFA "should have been consulted about it" (p. 6589).
11. EXPORTS. Passed without amendment S. 1826, to continue until June 30, 1945, the act authorizing FEA to control commodity exportation (p. 6634). This bill will now be sent to the President.
12. FLOOD CONTROL. Received War Department's flood control report for the Sammamish River, Wash. To Flood Control Committee. (p. 6653.)
13. WAR POWERS. Received the Attorney General's letters urging extension of the Second War Powers Act. To Judiciary Committee (p. 6653.)

Somers, N. Y.	Talbot	Ward
Sparkman	Talle	Weaver
Spence	Tarver	Weichel, Ohio
Springer	Thomas, N. J.	Welch
Stanley	Thomas, Tex.	Whelchel, Ga.
Starnes, Ala.	Thomason	Whittington
Stearns, N. H.	Tibbott	Wickersham
Stefan	Tolan	Wigglesworth
Stevenson	Torrens	Willey
Stigler	Towe	Wilson
Stockman	Troutman	Winter
Sullivan	Vincent, Ky.	Woodfenden, Pa.
Sumner, Ill.	Vinson, Ga.	Woodrum, Va.
Summers, Tex.	Vorys, Ohio	Zimmerman
Sundstrom	Wadsworth	
Taber	Walter	

NAYS—56

Anderson,	Fulmer	Norton
N. Mex.	Furlong	O'Brien, Ill.
Bloom	Gordon	O'Brien, Mich.
Bradley, Pa.	Gorski	O'Toole
Burchill, N. Y.	Hart	Outland
Burgin	Holifield	Pace
Byrne	Jackson	Poage
Cannon, Mo.	Kee	Rooney
Capozzoli	Kelley	Rowan
Celler	Keogh	Rowe
Cochran	King	Russell
Coffee	Kirwan	Sadowski
Delaney	LaFollette	Scanlon
Dickstein	Lane	Sheppard
Dingell	Lesinski	Snyder
Eberharter	Lynch	Voorhis, Calif.
Fogarty	Madden	Weiss
Folger	Marcantonio	Wene
Forand	Myers	Wright

NOT VOTING—101

Andrews, N. Y.	Gearhart	Morrow
Arnold	Gibson	Miller, Mo.
Baldwin, Md.	Gifford	Mills
Baldwin, N. Y.	Gilchrist	Morrison, N. C.
Barry	Gillespie	Mruk
Bates, Ky.	Granger	Murdock
Boren	Green	Murphy
Boykin	Hagen	O'Connor
Bradley, Mich.	Hale	Patman
Bulwinkle	Harless, Ariz.	Peterson, Ga.
Burdick	Harness, Ind.	Phillips
Camp	Harris, Va.	Plumley
Canfield	Hébert	Pratt
Cannon, Fla.	Heldinger	Joseph M.
Carrier	Hoeven	Rabaut
Chapfield	Hoffman	Reece, Tenn.
Cleaver	Johnson	Reed, N. Y.
Compton	Calvin D.	Sasser
Costello	Johnson	Sauthoff
Cox	Luther A.	Scott
Davis	Johnson	Shafer
Dawson	Lyndon B.	Sheridan
Dies	Kearney	Slaughter
Dilweg	Kennedy	Stewart
Dirksen	Kilburn	Taylor
Disney	Klein	Treadway
Douglas	Landis	Vursell
Elmer	Lemke	Wassilewski
Fay	Lewis	White
Fish	Luce	Whitten
Fitzpatrick	McCord	Winstead
Ford	McMurray	Wolcott
Fulbright	Magnuson	Wolverton, N. J.
Fuller	Mansfield, Tex.	Woodruff, Mich.
Gavin	Merritt	Worley

So the resolution was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Taylor for, with Mr. Klein against.
Mr. Dilweg for, with Mr. Sauthoff against.
Mr. Miller of Missouri for, with Mr. Fitzpatrick against.
Mr. Fulbright for, with Mr. Merritt against.
Mr. Harness of Indiana for, with Mr. McMurray against.
Mr. Canfield for, with Mr. Fay against.

General pairs:

Mr. Bulwinkle with Mr. Wolverton of New Jersey.
Mr. Magnuson with Mr. Shafer.
Mr. Cox with Mr. Reed of New York.
Mr. McCord with Mr. Kilburn.
Mr. Baldwin of Maryland with Mr. Cleaver.
Mr. Peterson of Georgia with Mr. Wolcott.
Mr. Harless of Arizona with Mr. Vursell.
Mr. Morrison of North Carolina with Mr. Scott.
Mr. Wassilewski with Mr. Hale.

Mr. Mansfield of Texas with Mr. Gavlin.
Mr. Rabaut with Mr. Elmer.
Mr. Gibson with Mr. Phillips.
Mr. Murphy with Mr. Dirksen.
Mr. Disney with Mr. Arnold.
Mr. Cannon of Florida with Mr. Compton.
Mr. Hébert with Mr. Fuller.
Mr. Boren with Mr. Lewis.
Mr. Luther A. Johnson with Mr. Calvin D. Johnson.

Mr. Camp with Mr. Gillespie.
Mr. Mills with Mr. Carrier.
Mr. Dawson with Mr. Andrews of New York.
Mr. Granger with Mr. Heidinger.
Mr. Whitten with Mr. Gifford.
Mr. Slaughter with Mr. Douglas.
Mr. Kennedy with Mr. Plumley.
Mr. Bates of Kentucky with Mr. Fish.
Mr. Sheridan with Mr. Baldwin of New York.
Mr. Lyndon B. Johnson with Mr. Joseph M. Pratt.

Mr. Boykin with Mr. Landis.
Mr. Sasser with Mr. Woodruff of Michigan.

Mr. Stewart with Mr. Hoeven.
Mr. Costello with Mr. Bradley of Michigan.
Mr. O'Connor with Mr. Treadway.
Mr. Winstead with Mr. Merrow.
Mr. Worley with Mr. Gearhart.
Mr. Murdock with Mr. Hoffman.
Mr. Green with Mr. Kearney.
Mr. Harris of Virginia with Mr. Chipfield.

Mr. Dies with Mr. Burdick.
Mr. Hagen with Mr. Lemke.
Mr. Barry with Mr. Mruk.

The result of the vote was announced as above recorded.

DEPARTMENT OF AGRICULTURE
APPROPRIATION BILL, 1945

The SPEAKER. The Chair has a telegram from the gentleman from Vermont [Mr. PLUMLEY] resigning as a conferee on the agricultural appropriation bill.

Without objection, the resignation is accepted, and the gentleman from New York [Mr. TABER] is appointed in his stead.

There was no objection.

The SPEAKER. The Clerk will notify the Senate of this action.

CONTRACT SETTLEMENT BILL OF 1944

Mr. SUMNERS of Texas. Mr. Speaker, I call up the conference report on the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, and ask unanimous consent that the statement be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement, as follows:

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1718) to provide for the settlement of claims arising from terminated war contracts, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House amendment struck out all of the Senate bill after the enacting clause. The committee of conference recommends that the Senate recede from its disagreement to the amendment of the House, with an amendment which is a substitute for both the Sen-

ate bill and the House amendment, and that the House agree to the same.

The differences between the House amendment and the proposed conference substitute are noted in the following statement, except for incidental changes made necessary by reason of agreements reached, and minor clarifying changes.

The House amendment added the War Production Board to the agencies defined under section 3 (g) as contracting agencies. The conference agreement retains this provision.

In addition to the accountants, engineers, appraisers, and other experts which the Director under the House amendment is authorized to employ without regard to the civil-service laws, the conference agreement adds authority to appoint a Deputy Director and authority of the Director to fix the compensation of such employees.

The conference agreement retains the House floor amendment which required review of settlements in excess of \$50,000 by settlement review boards within the contracting agencies. The amendment, however, would not subject to approval of such settlement review boards any arbitration award. Minor changes of clarifying nature were made in the provision and a further provision was made that failure of the settlement review board to act upon a settlement within 30 days after its submission shall operate as approval by the board.

Section 6 (d) of the House amendment enumerated various specific items of cost to be considered, to the extent allocable, and other items to be excluded, in establishing methods and standards for settling claims not settled by agreement. The Senate bill contained no comparable provision.

The conference agreement revises this House provision to state more concisely and in more general terms the costs to be taken into account for such purpose. The conference agreement retains the enumeration in the House amendment of costs to be excluded except that item (v), dealing with costs charged off during a period covered by a previous renegotiation, is omitted to allow for flexible treatment of this item. The next paragraph of this subsection (from the House amendment) makes it clear that this omission is not intended to imply that this item should be allowed or disallowed and permits the Director to provide for the inclusion or exclusion of this and other costs in accordance with recognized commercial accounting practice.

Subsection 6 (e) of the House amendment, dealing with settlements by agreement, is retained by the conference agreement.

Section 8 (d) of the Senate bill contained a provision permitting the Director to prescribe penalties up to 6 percent for overstatements by contractors on amounts due on their claims in connection with financing, in order to protect the Government's interests. The conferees considered the provision desirable to prevent attempts to secure excessive interim financing. Accordingly, the conference agreement reinstates the provision but provides that the 6 percent penalty shall be automatic unless in the opinion of the Director the imposition thereof would be inequitable.

The House floor amendment prescribing the method for giving notice of cancellation to prime contractors and subcontractors, has been modified by section 11 (a) (2), so as to direct each contracting agency to establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination.

The conference agreement retains the provisions of the House amendment allowing suit in the court after resort to the appeal board, and also provides that costs of suit shall be taxed against the war contractor unless the court awards the contractor an amount in

excess of that allowed by the appeal board or panel.

The House floor amendment limiting the per annum compensation of members of the appeal board to \$10,000, and limiting their terms of office to 2 years, is also retained.

The provision of section 16 (a) of the House amendment specifying the authority of the General Accounting Office to examine records maintained by any contracting agency or by any war contractor relating to any termination settlement, is retained in the conference agreement. Subsection (b) has been rewritten in conference and provides that whenever the Comptroller General is convinced that any settlement was induced by fraud, he shall so certify, together with all the facts relating thereto, to the Department of Justice, to the Director, and to the contracting agency concerned. Upon receiving such certificate (1) the Department of Justice is directed to make an investigation to determine whether the settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold the amount of settlement or portion thereof, which in the opinion of the Comptroller General as stated in his certificate, was affected by the fraud.

The provision of the House amendment providing for a penalty of 25 percent of any amount sought to be secured by fraud, even though such amount may not actually be received, is retained in the conference agreement.

Subsection (e) of section 19 of the House amendment added to the bill a provision making it unlawful for a person who, as a commissioned officer in the Army or the Navy or as an officer or employee of the United States, has at any time during the period from December 7, 1941, until 6 months after the termination of hostilities in the present war, been assigned to duty by the War or Navy Departments, or employed in any agency of the Government, and been engaged on behalf of the United States in procuring or assisting to procure supplies, materials, work, or services for the Government, or engaged in settling or adjusting contracts, from accepting or soliciting employment in presenting, aiding, or assisting for compensation in the prosecution of claims against the United States arising out of any contracts for supplies, materials, or services which were pending or entered into while the officer or employee was associated therewith. A penalty of a fine of not more than \$10,000 or imprisonment for not more than 1 year, or both, was provided for any violation of the provision. Subsection (j) of the Renegotiation Act was to be noneffective after enactment of this legislation.

The conferees agreed to a substitute provision making it unlawful for any person employed in any Government agency, including commissioned officers assigned to duty in such agency during the period such person is engaged in such employment or service, to prosecute, or to act as counsel, attorney, or agent for prosecuting any claim against the United States, or for any such person within 2 years after the time when such employment or service has ceased, to prosecute, or to act as counsel, attorney, or agent for prosecuting any claim against the United States involving any subject matter directly connected with which such person was so employed or performed duty. A penalty consisting of a fine of not more than \$10,000 or imprisonment for not more than 1 year or both, is provided for violations of this provision.

The Senate bill contained a provision requiring that officers and employees of contracting agencies aid war contractors in preparing and presenting termination claims and obtaining interim financing as a part of

their official duties, and provided that such assistance should not constitute a violation of section 109 of the Criminal Code. The House amendment qualified this provision to insure that such officers and employees may not receive any benefit or compensation, directly or indirectly from the war contractors. The substance of the provisions of the House amendment were retained in the conference agreement.

The House amendment added a provision to section 20 of the bill reiterating the authority of the Smaller War Plants Corporation to make interim loans and guaranties to small business concerns. This provision is retained in the conference agreement.

HATTON W. SUMNERS,
FRANCIS E. WALTER,
ESTES KEFAUVER,
C. E. HANCOCK,
JOHN W. GWYNNE,

Managers on the part of the House.

(For conference report, see proceedings of the House of June 21, 1944.)

Mr. SUMNERS of Texas. Mr. Speaker, the Senate has already agreed to this conference report and the part of it which has just been read gives the House a fair indication of what was agreed as between the conferees.

Mr. Speaker, I move the previous question on the report.

Mr. ROBSION of Kentucky. Mr. Speaker, will the gentleman from Texas [Mr. SUMNERS] withdraw his motion temporarily, so that I may ask a question?

Mr. SUMNERS of Texas. Yes, Mr. Speaker. I withdraw the motion temporarily.

Mr. ROBSION of Kentucky. Mr. Speaker, I would like to know in what respect the House conferees yielded to the Senate and what changes were made in the bill as we passed it.

Mr. SUMNERS of Texas. Mr. Speaker, that would take a long time to explain in minute detail. Everything is fully explained in the statement of the managers on the part of the House.

Mr. HANCOCK. Mr. Speaker, will the gentleman yield?

Mr. SUMNERS of Texas. Yes.

Mr. HANCOCK. Mr. Speaker, the bill agreed upon by the House and Senate conferees is essentially the bill as passed by the House. There is no important change except a few minor changes in phraseology, but essentially it is the bill as it passed the House overwhelmingly.

Mr. ROBSION of Kentucky. Is that the view of the chairman of the committee, the gentleman from Texas [Mr. SUMNERS]?

Mr. SUMNERS of Texas. That is my view, yes.

Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to. A motion to reconsider was laid on the table.

LABOR-FEDERAL SECURITY AGENCY APPROPRIATION, 1945—CONFERENCE REPORT

Mr. HARE. Mr. Speaker, I call up the conference report on the bill (H. R. 4899) making appropriations for the Department of Labor, the Federal Security

Agency, and related independent agencies for the fiscal year ending June 30, 1945, and for other purposes, and ask unanimous consent that the statement be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of June 21, 1944.)

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

The SPEAKER. The Clerk will report the first amendment in disagreement.

The Clerk read as follows:

Amendment No. 2: On page 4, line 16, insert:

"Salaries and expenses, Division of Labor Standards, Department of Labor (national defense): For all expenses necessary to enable the Secretary of Labor to liquidate during the fiscal year 1945 the existing organization of the Working Conditions Service, including payment of accumulated and accrued annual leave of employees separated from the Government service due to the discontinuance of this Service; such travel as may be necessary to the accomplishment of the said liquidation; and the termination of existing leases for office space an indeterminate amount to be derived from the unexpended and unobligated balance of the appropriation made to the Division of Labor Standards (national defense) in the First Supplemental National Defense Appropriation Act, 1944, approved December 23, 1943, not exceeding \$40,000."

Mr. HARE. Mr. Speaker, I move that the House recede and concur in Senate amendment No. 2.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment No. 14: On page 24, line 15, insert:

"Visual aids for war training (national defense): For all necessary expenses of the Office of Education in procuring and making available, for reproduction and use, visual-aid instructional units, consisting of motion-picture films, lantern slides, slide films, and film loops, for training in occupations essential to the war effort (each such occupation to be approved by the Chairman of the War Manpower Commission), including personal services in the District of Columbia and elsewhere; travel expenses; printing and binding; \$207,312: *Provided*, That copies of slides and films shall be sold at a price sufficient to pay the whole cost of production of such slides and films."

Mr. HARE. Mr. Speaker, I move that the House recede and concur with an amendment.

The Clerk read as follows:

Mr. HARE moves that the House recede from its disagreement to the amendment of the Senate No. 14, and agree to the same with an amendment, as follows: "In lieu of the sum proposed by such amendment, insert '\$175,000.'"

The SPEAKER. The question is on the motion of the gentleman from South Carolina.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

July 18

[PUBLIC LAW 395—78TH CONGRESS]

[CHAPTER 358—2D SESSION]

[S. 1718]

AN ACT

To provide for the settlement of claims arising from terminated war contracts,
and for other purposes.

*Be it enacted by the Senate and House of Representatives of the
United States of America in Congress assembled,*

OBJECTIVES OF THE ACT

SECTION 1. The Congress hereby declares that the objectives of this Act are—

(a) to facilitate maximum war production during the war, and to expedite reconversion from war production to civilian production as war conditions permit;

(b) to assure to prime contractors and subcontractors, small and large, speedy and equitable final settlement of claims under terminated war contracts, and adequate interim financing until such final settlement;

(c) to assure uniformity among Government agencies in basic policies and administration with respect to such termination settlements and interim financing;

(d) to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes by providing prime contractors and subcontractors with notice of termination of their war contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security;

(e) to assure the expeditious removal from the plants of prime contractors and subcontractors of termination inventory not to be retained or sold by the contractor;

(f) to use all practicable methods compatible with the foregoing objectives to prevent improper payments and to detect and prosecute fraud.

SERVEILLANCE BY CONGRESS

SEC. 2. (a) To assist the Congress in appraising the administration of this Act and in developing such amendments or related legislation as may further be necessary to accomplish the objectives of the Act, the appropriate committees of the Senate and the House of Representatives shall study each report submitted to the Congress under this Act and shall otherwise maintain continuous surveillance of the operations of the Government agencies under the Act.

(b) In January, April, July, and October of each year, the Director shall submit to the Senate and House of Representatives a quarterly progress report on the exercise of his duties and authority under this Act, the status of contract terminations, termination settlements, and interim financing and such other pertinent informa-

tion on the administration of the Act as will enable the Congress to evaluate its administration and the need for amendments and related legislation.

DEFINITIONS

SEC. 3. As used in this Act—

(a) The term "prime contract" means any contract, agreement, or purchase order heretofore or hereafter entered into by a contracting agency and connected with or related to the prosecution of the war; and the term "prime contractor" means any holder of one or more prime contracts.

(b) The term "subcontract" means any contract, agreement, or purchase order heretofore or hereafter entered into to perform any work, or to make or furnish any material to the extent that such work or material is required for the performance of any one or more prime contracts or of any one or more other subcontracts; and the term "subcontractor" means any holder of one or more subcontracts.

(c) The term "war contract" means a prime contract or a subcontract; and the term "war contractor" means any holder of one or more war contracts.

(d) The terms "termination", "terminate", and "terminated" refer to the termination or cancelation, in whole or in part, of work under a prime contract for the convenience or at the option of the Government (except for default of the prime contractor) or of work under a subcontract for any reason except the default of the subcontractor.

(e) The term "material" includes any article, commodity, machinery, equipment, accessory, part, component, assembly, work in process, maintenance, repair, and operating supplies, and any product of any kind.

(f) The term "Government agency" means any executive department of the Government, or any administrative unit or subdivision thereof, any independent agency or any corporation owned or controlled by the United States in the executive branch of the Government, and includes any contracting agency.

(g) The term "contracting agency" means any Government agency which has been or hereafter may be authorized to make contracts pursuant to section 201 of the First War Powers Act, 1941, and includes the Reconstruction Finance Corporation and any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, the Smaller War Plants Corporation, and the War Production Board.

(h) The term "termination claim" means any claim or demand by a war contractor for fair compensation for the termination of any war contract and any other claim under a terminated war contract, which regulations prescribed under this Act authorize to be asserted and settled in connection with any termination settlement.

(i) The term "interim financing" includes advance payments, partial payments, loans, discounts, advances, and commitments in connection therewith, and guaranties of loans, discounts, advances, and commitments in connection therewith and any other type of financing made in contemplation of or related to termination of war contracts.

(j) The term "Director" means the Director of Contract Settlement.

(k) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(l) The term "termination inventory" means any materials (including a proper part of any common materials), properly allocable to the terminated portion of a war contract, except any machinery or equipment subject to a separate contract specifically governing the use or disposition thereof.

(m) The term "final and conclusive", as applied to any settlement, finding, or decision, means that such settlement, finding, or decision shall not be reopened, annulled, modified, set aside, or disregarded by any officer, employee, or agent of the United States or in any suit, action, or proceeding except as provided in this Act.

DIRECTOR OF CONTRACT SETTLEMENT

SEC. 4. (a) There is hereby established the Office of Contract Settlement which shall be headed by the Director of Contract Settlement. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per year, and shall serve for a term of two years.

(b) In order to insure uniform and efficient administration of the provisions of this Act, the Director, subject to such provisions, by general orders or general regulations—

(1) shall prescribe policies, principles, methods, procedures, and standards to govern the exercise of the authority and discretion and the performance of the duties and functions of all Government agencies under this Act; and

(2) may require or restrict the exercise of any such authority and discretion, or the performance of any such duty or function, to such extent as he deems necessary to carry out the provisions of this Act.

(c) The exercise of any authority or discretion and the performance of any duty or function, conferred or imposed on any Government agency by this Act, shall be subject to such orders and regulations prescribed by the Director pursuant to subsection (b) of this section. Each Government agency shall carry out such orders and regulations of the Director expeditiously, and shall issue such regulations with respect to its operations and procedures as may be necessary to carry out the policies, principles, methods, procedures, and standards prescribed by the Director. Any Government agency may issue such further regulations not inconsistent with the general orders or regulations of the Director as it deems necessary or desirable to carry out the provisions of this Act.

(d) The Director may, within the limits of funds which may be made available, employ and fix the compensation of necessary personnel in accordance with the provisions of the civil-service laws and the Classification Act of 1923 and make expenditures for supplies, facilities, and services necessary for the performance of his functions under this Act. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, he may appoint a Deputy Director and may employ certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and fix their compensation, and contract with certified public accounting firms and qualified firms of engineers in the discharge of the duties

imposed upon him and in furtherance of the objectives and policies of this Act. The Director shall perform the duties imposed upon him through the personnel and facilities of the contracting agencies and other established Government agencies, to the extent that this does not interfere with the function of the Director to insure uniform and efficient administration of the provisions of this Act.

(e) All orders and regulations prescribed by the Director or any Government agency under this Act shall be published in the Federal Register.

CONTRACT SETTLEMENT ADVISORY BOARD

SEC. 5. There is hereby created a Contract Settlement Advisory Board, with which the Director shall advise and consult. The Board shall be composed of the Director, who shall act as its Chairman, and of the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, the Chairman of the Maritime Commission, the Administrator of the Foreign Economic Administration, the chairman of the board of directors of the Reconstruction Finance Corporation, the Chairman of the War Production Board, the chairman of the board of directors of the Smaller War Plants Corporation, and the Attorney General or any alternate or representative designated by any of them. The Director shall request other Government agencies to participate in the deliberations of the Board whenever matters specially affecting them are under consideration.

SEC. 6. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, to provide war contractors with speedy and fair compensation for the termination of any war contract, in accordance with and subject to the provisions of this Act, giving priority to contractors whose facilities are privately owned or privately operated. Such fair compensation for the termination of subcontracts shall be based on the same principles as compensation for the termination of prime contracts.

(b) Each contracting agency shall establish methods and standards, suitable to the conditions of various war contractors, for determining fair compensation for the termination of war contracts on the basis of actual, standard, average, or estimated costs, or of a percentage of the contract price based on the estimated percentage of completion of work under the terminated contract, or on any other equitable basis, as it deems appropriate. To the extent that such methods and standards require accounting, they shall be adapted, so far as practicable, to the accounting systems used by war contractors, if consistent with recognized commercial accounting practice.

(c) Any contracting agency may settle all or any part of any termination claim under any war contract by agreement with the war contractor, or by determination of the amount due on the claim or part thereof without such agreement, or by any combination of these methods. Where any such settlement is made by agreement, the settlement shall be final and conclusive, except (1) to the extent otherwise agreed in the settlement; (2) for fraud; (3) upon renegotiation to eliminate excessive profits under the Renegotiation Act, unless exempt or exempted under that Act; or (4) by mutual agreement before or after payment. Where any such settlement

is made by determination without agreement, it shall likewise be final and conclusive, subject to the same exceptions as if made by agreement, unless the war contractor appeals or brings suit in accordance with section 13 of this Act: *Provided*, That no settlement agreement hereunder involving payment to a war contractor of an amount in excess of \$50,000 (or such lesser amount as the Director may from time to time determine) shall become binding upon the Government until the agreement has been reviewed and approved by a settlement review board of three or more members established by the contracting agency in the bureau, division, regional or district office, or other unit of the contracting agency authorized to make such settlement, or in the event of disapproval by the settlement review board, unless approved by the head of such bureau, division, regional or district office, or other unit. Failure of the settlement review board to act upon any settlement within thirty days after its submission to the board shall operate as approval by the board. The sole function of settlement review boards shall be to determine the over-all reasonableness of proposed settlement agreements from the point of view of protecting the interests of the Government. In determining, for purposes of this subsection, whether review of any settlement agreement is required because of the amounts involved, no deduction shall be made on account of credits for property chargeable to the Government or for advance or partial payments, but amounts payable under such settlement agreement for completed articles or work at the contract price and for the discharge of the termination claims of subcontractors shall be deducted.

(d) Except as hereinafter provided, the methods and standards established under subsection (b) of this section for determining fair compensation for termination claims which are not settled by agreement shall be designed to compensate the war contractor fairly for the termination of the war contract, taking into account—

- (1) the direct and indirect manufacturing, selling and distribution, administrative and other costs and expenses incurred by the war contractor which are reasonably necessary for the performance of the war contract and properly allocable to the terminated portion thereof under recognized commercial accounting practices; and

- (2) reasonable costs and expenses of settling termination claims of subcontractors related to the terminated portion of the war contract; and

- (3) reasonable accounting, legal, clerical, and other costs and expenses incident to termination and settlement of the terminated war contract; and

- (4) reasonable costs and expenses of removing, preserving, storing and disposing of termination inventories; and

- (5) such allowance for profit on the preparations made and work done for the terminated portion of the war contract as is reasonable under the circumstances; and

- (6) interest on the termination claim in accordance with subsection (f) of this section; and

- (7) the contract price and all amounts otherwise paid or payable under the contract.

The following shall not be included as elements of cost:

(i) Losses on other contracts, or from sales or exchanges of capital assets, fees and other expenses in connection with reorganization or recapitalization, antitrust or Federal income-tax litigation, or prosecution of Federal income-tax claims or other claims against the Government (except as provided in paragraph (3) above); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary.

(ii) The expense of conversion of the contractor's facilities to uses other than the performance of the contract.

(iii) Expenses due to the negligence or willful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice.

(iv) Costs incurred in respect to facilities, materials, or services purchased or work done in excess of the reasonable quantitative requirements of the entire contract.

The failure specifically to mention in this subsection any item of cost is not intended to imply that it should be allowed or disallowed. The Director may interpret the provisions of this subsection (d) and may provide for the inclusion or exclusion of other costs in accordance with recognized commercial accounting practice.

Where the small size of claims or the nature of production or performance or other factors make it impracticable to apply the principles stated in this subsection (d) to any class of settlements which are subject to this subsection (d), the contracting agencies may establish alternative methods and standards for determining fair compensation for that class of termination claims. The aggregate amount of compensation allowed in accordance with this subsection (excluding amounts allowed under paragraphs (3) and (4) above) shall not exceed the total contract price reduced by the amount of payments otherwise made or to be made under the contract.

(e) In order to carry out the objectives of this Act, termination claims shall be settled by agreement to the maximum extent feasible and the methods and standards established under subsection (b) of this section shall be designed to facilitate such settlements. To the extent that he deems it practicable to do so without impeding expeditious settlements, the Director shall require the contracting agencies to take into account the factors enumerated in subsection (d) above in establishing methods and standards for determining fair compensation in the settlement of termination claims by agreement.

(f) Each contracting agency shall allow and pay interest on the amount due and unpaid from time to time on any termination claim under a prime contract at the rate of $2\frac{1}{2}$ per centum per annum for the period beginning thirty days after the date fixed for termination and ending with the date of final payment, except that (1) if the prime contractor unreasonably delays the settlement of his claim, interest shall not accrue for the period of such delay, (2) if interest for the period after termination on any advance payment or loan, made or guaranteed by the Government, has been waived for the benefit of the contractor, the amount of the interest so waived allocable to the terminated contract or the terminated part of the contract shall be deducted from the interest otherwise payable hereunder, and (3) if after delivery of findings by a contracting agency, the contractor appeals or sues

as provided in section 13, interest shall not accrue after the thirtieth day following the delivery of the findings on any amount allowed by such findings, unless such amount is increased upon such appeal or suit. In approving, ratifying, authorizing, or making termination settlements with subcontractors, each contracting agency shall allow interest on the termination claim of the subcontractor on the same basis and subject to the same conditions as are applicable to a prime contractor.

(g) Where any war contract does not provide for or provides against such fair compensation for its termination, the contracting agency, either before or after its termination, shall amend such war contract by agreement with the war contractor, or shall authorize, approve, or ratify an amendment of such war contract by the parties thereto, to provide for such fair compensation.

SEC. 7. (a) Where, in connection with the settlement of any termination claim by a contracting agency, any war contractor makes settlements of the termination claims of his subcontractors, the contracting agency shall limit or omit its review of such settlements with subcontractors to the maximum extent compatible with the public interest. Any contracting agency (1) may approve, ratify, or authorize such settlements with subcontractors upon such evidence, terms, and conditions as it deems proper; (2) shall vary the scope and intensity of its review of such settlements according to the reliability of the war contractor, the size, number, and complexity of such claims, and other relevant factors; and (3) shall authorize war contractors to make such settlements with subcontractors without review by the contracting agency, whenever the reliability of the war contractor, the amount or nature of the claims, or other reasons appear to the contracting agency to justify such action. Any such settlement of a subcontract approved, ratified, or authorized by a contracting agency shall be final and conclusive as to the amount due to the same extent as a settlement under subsection (c) of section 6 of this Act, and no war contractor shall be liable to the United States on account of any amounts paid thereon except for his own fraud.

(b) Whenever any contracting agency is satisfied of the inability of a war contractor to meet his obligations it shall exercise supervision or control over payments to the war contractor on account of termination claims of subcontractors of such war contractor to such extent and in such manner as it deems necessary or desirable for the purpose of assuring the receipt of the benefit of such payments by the subcontractors.

(c) The Director shall prescribe policies and methods for the settlement as a group, or otherwise, by any contracting agency of some or all of the termination claims of a war contractor under war contracts with one or more (1) bureaus or divisions within a contracting agency, (2) contracting agencies, or (3) prime contractors and subcontractors, to the extent he deems such action necessary or desirable for expeditious and equitable settlement of such claims. After consulting with the contracting agencies concerned, the Director may provide for assigning any war contractor to a contracting agency for such settlement, and such agency shall have authority to settle, on behalf of any other contracting agency, some or all of the termination claims of such war contractor.

(d) Any contracting agency may settle directly termination claims of subcontractors to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims. In making such termination settlements any contracting agency may discharge the claim of the subcontractor by payment or may purchase such claim, and may agree to assume, or indemnify the subcontractor against, any claims by any person in connection with such claim or the termination settlement. Any contracting agency undertaking to settle the termination claim of any subcontractor shall deliver to the subcontractor and the war contractor liable to him written notice stating its acceptance of responsibility for settling his claim and the conditions applicable thereto, which may include the release, or assignment to the contracting agency, of his claim against the war contractor liable to him; upon consent thereto by the subcontractor, the Government shall become liable for the settlement of his claims upon the conditions specified in the notice.

(e) Any contracting agency may make settlements with subcontractors in accordance with any of the provisions of this Act without regard to any limitation on the amount payable by the Government to the prime contractor.

(f) If any contracting agency determines that in the circumstances of a particular case equity and good conscience require fair compensation for the termination of a war contract to be paid to a subcontractor who has been deprived of and cannot otherwise reasonably secure such fair compensation, the contracting agency concerned may pay such compensation to him although such compensation already has been included and paid as part of a settlement with another war contractor.

INTERIM FINANCING

SEC. 8. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, in accordance with and subject to the provisions of this Act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within thirty days after proper application therefor.

(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guaranties in connection therewith, in contemplation of or related to termination of war contracts. Where interim financing is made by advance payments or partial payments, it shall, insofar as practicable, consist of the following:

(1) An amount equal to 100 per centum of the amount payable, at the contract price, on account of acceptable items completed prior to the termination date under the terms of the contract, or completed thereafter with the approval of the contracting agency; plus

(2) An amount equal to 90 per centum of the cost of raw materials, purchased parts, supplies, direct labor, and manufacturing overhead allocable to the terminated portion of the war contract; plus

(3) A reasonable percentage of other allowable costs, including administrative overhead, allocable to the terminated portion of the war contract not included in the foregoing; plus

(4) Such additional amounts, if any, as the contracting agency deems necessary to provide the war contractor with adequate interim financing.

(5) In lieu of the costs referred to in clauses (2) and (3) of this subsection, where a detailed ascertainment of such costs is not suitable to the conditions of any war contractor and is apt to cause delay in the obtaining of interim financing by him, that portion of such interim financing shall be equal to an amount not greater than 90 per centum of the estimated costs which are allocable to the terminated part or parts of the war contract or group of war contracts, and are ascertained in accordance with such methods and standards as the Director shall prescribe.

(6) There shall be deducted from the amount of such interim financing any unliquidated balances of advance and partial payments theretofore made to such war contractor, which are allocable to the terminated war contract or the terminated part of the war contract.

(c) The Director shall prescribe (1) the types of estimates, certificates, or other evidence to be required to support such interim financing; (2) the terms and conditions upon which such interim financing shall be made including the use of standard forms for agreements with respect to such interim financing to the extent practicable; (3) the classes of cases in which such interim financing shall be refused; and (4) such methods of supervision and control over such interim financing as he deems necessary or desirable to assure adequate and speedy interim financing to subcontractors of the war contractor.

(d) In case of an overstatement by any war contractor of the amount due on his termination claim or claims in connection with any interim financing under this Act, such contractor shall pay to the United States, as a penalty, an amount equal to 6 per centum of the amount of the overstatement, but the Director may suspend or modify any such penalty if in his opinion the imposition thereof would be inequitable. Any penalty may be deducted from any amounts due the war contractor upon such termination claim or claims, or otherwise, or may be collected from the war contractor by suit. The obligation to pay any penalty imposed and to repay any interim financing made or assumed by the United States under this Act shall constitute a debt due to the United States within the meaning of Revised Statutes, section 3466 (31 U. S. C., sec. 191).

(e) Any contracting agency may allow any advance payments, previously made or authorized by it in connection with the performance of a war contract, to be used for payments and expenses related to the termination settlement of such contract, upon such terms and conditions as it deems necessary or appropriate to protect the interest of the Government.

(f) No interim financing shall be made by any contracting agency under this Act unless the terms of such financing provide for the liquidation by the war contractor of all loans, discounts, advance payments, or partial payments thereunder not later than the time of final payment of the amount due on the settlement of the termination claim or claims of the war contractor involved or such time thereafter as the contracting agency deems necessary for the liquidation of such interim financing in an orderly manner.

(g) Any contracting agency may settle, upon such terms and conditions as it deems proper, any claim or obligation due by or to the Government arising from or related to any interim financing made, acquired, or authorized by it. Any interim financing made, acquired, or authorized by any contracting agency before the effective date of this Act shall be valid to the extent it would be authorized under the provisions of this Act if made after its effective date.

SEC. 9. (a) Any contracting agency may make advance or partial payments to any war contractor on account of any termination claim or claims, and may authorize, approve, or ratify any such advance or partial payments by any war contractor to his subcontractors, upon such conditions as it deems necessary to insure compliance with the provisions of subsection (b) of this section. Each contracting agency shall make final payments from time to time on partial settlements or on settlements fixing a minimum amount due before complete settlement, or as tentative payments before any settlement of the claim or claims.

(b) Where any such advance or partial payment is made to any war contractor by any contracting agency or by another war contractor under this section, except a final payment on a partial settlement, any amount in excess of the amount finally determined to be due on the termination claim shall be treated as a loan from the Government to the war contractor receiving it, and shall be payable upon demand together with a penalty computed at the rate of 6 per centum per annum, for the period from the date such excess advance or partial payment is received to the date on which such excess is repaid or extinguished. Where the advance or partial payment was made by a war contractor and authorized, approved, or ratified by any contracting agency, the war contractor making it shall not be liable for any such excess payment in the absence of fraud on his part and shall receive payment or credit from the Government for the amount of such excess payment.

SEC. 10. (a) Any contracting agency is authorized—

(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of the termination of one or more such war contracts or operations; and

(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.

ADVANCE NOTICE

SEC. 11. (a) In order to facilitate the efficient use of materials, manpower, and facilities for war and civilian purposes, each contracting agency—

(1) shall provide its prime contractors with notice of termination of their prime contracts as far in advance of the cessation of work thereunder as is feasible and consistent with the national security without permitting unneeded production or performance;

(2) shall establish procedures whereby prime contractors shall provide affected subcontractors with immediate notice of termination; and

(3) shall permit the continuation of some or all of the work under a terminated prime contract whenever the agency deems that such continuation will benefit the Government or is necessary to avoid substantial injury to the plant or property.

(b) Whenever a contracting agency hereafter directs a prime contractor to cease or suspend all or a substantial part of the work under a prime contract, without terminating the contract, then, unless the contract provides otherwise, (1) the contracting agency shall compensate the contractor for reasonable costs and expenses resulting from such cessation or suspension, and (2) if the cessation or suspension extends for thirty days or more, the contractor may elect to treat it as a termination by delivering written notice of his election so to do to the contracting agency, at any time before the contracting agency directs the prime contractor to resume work under the contract.

(c) The Director shall have no authority under this Act to regulate or control the classes of contracts to be terminated by the contracting agencies.

REMOVAL AND STORAGE OF MATERIALS

SEC. 12. (a) It is the policy of the Government, upon the termination of any war contract, to assure the expeditious removal from the plant of the war contractor of the termination inventory not to be retained or sold by the war contractor.

(b) Any war contractor may submit to the contracting agency concerned or to any other Government agency designated by the Director,

one or more statements showing the materials which such war contractor claims to be termination inventory under one or more war contracts and desires to have removed by the Government. Such statements shall be prepared in such form and detail, shall be submitted in such manner, through the prime contractor or otherwise, and shall be supported by such certificates or other data, as may be prescribed under this Act.

(c) Within sixty days after the submission of any such statement by a war contractor, or such shorter period as may be prescribed under this Act, or within such longer period as the war contractor may agree, the Government agency concerned (1) shall arrange, upon such terms and conditions as may be agreed, for the storage by the war contractor on his own premises or elsewhere of all such claimed termination inventory which the war contractor does not retain or dispose of, except any part which may be determined not to be allocable to the terminated war contract or contracts, or (2) shall remove from the plant or plants of the war contractor all of such claimed termination inventory not retained, disposed of, or stored by the war contractor or determined not to be allocable to the terminated war contract or contracts.

(d) Upon the failure of the Government so to arrange for storage by the war contractor or to remove any termination inventory within the period specified under subsection (c) of this section, the war contractor, subject to regulations prescribed under this Act, may remove some or all of such termination inventory from his plant or plants and may store it on his own premises or elsewhere for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation. If any war contractor intends so to remove any claimed termination inventory, he shall deliver to the Government agency concerned written notice of the date fixed for removal and a statement showing the quantities and condition of the materials so to be removed, certified on behalf of the war contractor to have been prepared in accordance with a concurrent physical inventory of such materials. Such notice and statement shall be delivered at least twenty days in advance of the date fixed for removal and may be delivered before or after the expiration of the period specified under subsection (c) of this section. If the Government agency fails to check such materials, at or before the time of their removal by the war contractor, a certificate of the war contractor specifying the materials shown on such statement which were so removed, and filed with the Government agency concerned within thirty days after the date fixed for removal, shall constitute prima facie evidence against the United States as to the quantities and condition of the materials so removed, and the fact of their removal.

(e) Notwithstanding any other provisions of law, but subject to subsection (h) of this section, the contracting agency concerned or the Director, or any Government agency designated by him, on behalf of the United States, may, by the exercise of any contract rights or otherwise, acquire and take possession of any termination inventory of any war contractor, and any materials removed by the Government or stored for its account under subsections (c) and (d) of this section, whether or not such materials are finally determined not to constitute termination inventory. With respect to any such materials,

the Government shall be liable to any war contractor concerned only for their return to such war contractor or for their disposal value at the time of their removal or for the proceeds realized by the Government from their disposal, at the election of the Government agency concerned, unless the Government agency and the war contractor agree or have agreed on a different basis. Any amount so paid or payable to a war contractor for materials allocable to a terminated war contract shall be credited against the termination claim under such contract but shall not otherwise affect the amount due on the claim, unless the Government agency concerned and the war contractor agree or have agreed otherwise. Any materials to which the Director takes title under this section shall be delivered for disposal to any appropriate Government agency authorized to make such disposal.

(f) No contracting agency shall postpone or delay any termination settlement beyond the period specified in subsection (c) of this section for the purpose of awaiting disposal by the war contractor or the Government of any termination inventory reported in accordance with subsection (b) of this section.

(g) Whenever any war contractor no longer requires, for the performance of any war contract, any Government-owned machinery, tools, or equipment installed in his plant for the performance of one or more war contracts, the Government agency concerned, upon written demand by the war contractor, and within sixty days after such demand or such other period as may be prescribed under this Act, and upon such conditions as may be so prescribed, shall remove or provide for the removal of such machinery, tools, or equipment from such plant, unless the Government agency concerned and the war contractor, by facilities contract or otherwise, have made or make other provisions for the retention, storage, maintenance, or disposition of such machinery, tools or equipment. The Government agency concerned may waive or release on behalf of the United States any obligation of the war contractor with respect to such machinery, tools, or equipment upon such terms and conditions as the agency deems appropriate. Upon the failure of the Government so to remove or provide for removal of any such machinery, tools, or equipment, the war contractor, subject to regulations prescribed under this Act, may remove all or part of such machinery, tools, or equipment from his plant and may store it on his own premises or elsewhere, for the account and at the risk and expense of the Government, using reasonable care for its transportation and preservation.

(h) Nothing in this Act shall limit or affect the authority of the War Department, Navy Department, or Maritime Commission, respectively, to take over any termination inventories and to retain them for their use for any purpose or to dispose of such termination inventories for the purpose of war production, or to authorize any war contractor to retain or dispose of such termination inventories for the purpose of war production.

(i) Nothing in this section shall be construed to prevent the removal and storage of any termination inventory by any war contractor, at his own risk, at any time after termination of any war contract to which it is allocable.

APPEAL

SEC. 13. (a) Whenever the contracting agency responsible for settling any termination claim has not settled the claim by agreement or has so settled only a part of the claim, (1) the contracting agency at any time may determine the amount due on such claim or such unsettled part, and prepare written findings indicating the basis of the determination, and deliver a copy of such findings to the war contractor, or (2) if the termination claim has been submitted in the manner and substantially the form prescribed under this Act, the contracting agency, upon written demand by the war contractor for such findings, shall determine the amount due on the claim or unsettled part and prepare and deliver such findings to the war contractor within ninety days after the receipt by the agency of such demand. In preparing such findings, the contracting agency may require the war contractor to furnish such information and to submit to such audits as may be reasonably necessary for that purpose. Within thirty days after the delivery of any such findings, the contracting agency shall pay to the war contractor at least 90 per centum of the amount thereby determined to be due, after deducting the amount of any outstanding interim financing applicable thereto.

(b) Whenever any war contractor is aggrieved by the findings of a contracting agency on his claim or part thereof or by its failure to make such findings in accordance with subsection (a) of this section, he may, at his election—

(1) appeal to the Appeal Board in accordance with subsection (d) of this section; or

(2) bring suit against the United States for such claim or such part thereof, in the Court of Claims or in a United States district court, in accordance with subsection (20) of section 24 of the Judicial Code (28 U. S. C. 41 (20)), except that, if the contracting agency is the Reconstruction Finance Corporation, or any corporation organized pursuant to the Reconstruction Finance Corporation Act (47 Stat. 5), as amended, or any corporation owned or controlled by the United States, the suit shall be brought against such corporation in any court of competent jurisdiction in accordance with existing law.

(c) Any proceeding under subsection (b) of this section shall be governed by the following conditions:

(1) When any contracting agency provides a procedure within the agency for protest against such findings or for other appeal therefrom by the war contractor, the war contractor, before proceeding under subsection (b) of this section, (i) in his discretion may resort to such procedure within the time specified in his contract or, if no time is specified, within thirty days after the delivery to him of the findings; and (ii) shall resort to such procedure for protest or other appeal to the extent required by the Director, but failure of the contracting agency to act on any such required protest or appeal within thirty days shall operate as a refusal by the agency to modify its findings. Any revision of the findings by the contracting agency, upon protest or appeal within the agency, shall be treated as the findings of the agency for the purpose of appeal or suit under subsection (b) of this section. Notwithstanding any contrary provision in any war contract, no war contractor shall be required to protest or appeal from such

findings within the contracting agency except in accordance with this paragraph.

(2) A war contractor may initiate proceedings in accordance with subsection (b) of this section (i) within ninety days after delivery to him of the findings by the contracting agency, or (ii) in case of protests or appeal within the agency, within ninety days after the determination of such protest or appeal, or (iii) in case of failure to deliver such findings, within one year after his demand therefor. If he does not initiate such proceedings within the time specified, he shall be precluded thereafter from initiating any proceedings in accordance with subsection (b) of this section, and the findings of the contracting agency shall be final and conclusive, or if no findings were made, he shall be deemed to have waived such termination claim.

(3) Notwithstanding any contrary provision in any war contract, the Appeal Board or court shall not be bound by the findings of the contracting agency, but shall treat such findings as prima facie correct, and the burden shall be on the war contractor to establish that the amount due on his claim or part thereof exceeds the amount allowed by the findings of the contracting agency. Whenever the Appeal Board or court finds that the war contractor failed to negotiate in good faith with the contracting agency for the settlement of his claim or part thereof before appeal or suit thereon, or failed to furnish to the agency any information reasonably requested by it regarding his termination claim or part thereof, or failed to prosecute diligently any protest or appeal required to be taken under subsection (c) (i) (ii) of this section, the Appeal Board or court (i) may refuse to receive in evidence any information not submitted to the contracting agency; (ii) may deny interest on the claim or part thereof for such period as it deems proper; or (iii) may remand the case to the contracting agency for further proceedings upon such terms as the Appeal Board or court may prescribe. Unless the case is remanded, the Appeal Board or court shall enter the appropriate award or judgment on the basis of the law and facts, and may increase or decrease the amount allowed by the findings of the contracting agency.

(4) Any such proceedings shall not affect the authority of the contracting agency concerned to make a settlement of the termination claim, or any part thereof, by agreement with the war contractor at any time before such proceedings are concluded.

(d) (1) The Director shall appoint an Appeal Board, composed of such number of members as he deems necessary from time to time to hear appeals under this section. The members of the Appeal Board shall be qualified and experienced attorneys, engineers, accountants, or persons possessing sufficient business experience or professional skill. He shall, without regard to the provisions of the civil-service laws and the Classification Act of 1923, appoint and fix the compensation and term of office of the members of the Appeal Board: *Provided*, That no member shall receive compensation at a rate in excess of \$10,000 per annum nor be appointed for a term longer than two years.

(2) Panels of one or more members may act for the Appeal Board and shall sit from time to time in localities throughout the country, reasonably convenient for war contractors having proceedings before them. A panel of one member of the Appeal Board may hear any

appeal whenever (i) the amount in controversy in the appeal is \$25,000 or less; or (ii) the amount in controversy exceeds \$25,000, but the war contractor taking the appeal fails to demand a panel of three members at the time of filing his appeal. If the war contractor is aggrieved by the decision of the Appeal Board or panel (other than an order remanding the case to the contracting agency under subsection (c) (3) (iii) of this section), then within ninety days after such decision he may bring suit on the claim or unsettled part thereof in accordance with subsection (b) (2) of this section. Such suit shall proceed as if no appeal had been taken under subsection (b) of this section. All costs of such suit shall be borne by the war contractor unless the court awards such contractor an amount in excess of that allowed by the Appeal Board or panel. Upon failure of the war contractor so to sue within such period, the decision of the Appeal Board or panel shall be final and conclusive.

(3) The Director or, if authorized by him, the Appeal Board shall prescribe the practice and procedure to govern proceedings for the Appeal Board. The Appeal Board or any panel thereof shall have power to administer oaths to witnesses and to compel by subpoena the attendance of witnesses, and the production of books, papers, documents, and other records. All provisions of law (including penalties and provisions relating to self-incrimination) applicable with respect to subpoenas issued under the Federal Trade Commission Act shall be applicable with respect to subpoenas issued by the Appeal Board insofar as such provisions are not inconsistent with the provisions of this Act.

(e) The contracting agency responsible for settling any claim and the war contractor asserting the claim, by agreement, may submit all or any part of the termination claim to arbitration, without regard to the amount in dispute. Such arbitration proceedings shall be governed by the provisions of the United States Arbitration Act to the same extent as if authorized by an effective agreement in writing between the Government and the war contractor. Any such arbitration award shall be final and conclusive upon the United States to the same extent as a settlement under subsection (c) of section 6, but shall not be subject to approval by any settlement review board.

(f) Whenever any dispute exists between any war contractor and a subcontractor regarding any termination claim, either of them, by agreement with the other, may submit the dispute—

(1) to the Appeal Board in accordance with subsection (d) of this section;

(2) to a contracting agency for mediation or arbitration whenever authorized by the agency or required by the Director.

Any award or decision in such proceedings shall be final and conclusive as to the parties so submitting any such dispute and shall not be questioned by the United States in settling any related claim, in the absence of fraud or collusion.

COURT OF CLAIMS

SEC. 14. (a) For the purpose of expediting the adjudication of termination claims, the Court of Claims is authorized to appoint not more than ten auditors and not more than twenty commissioners in addition to those provided for by the Act of February 24, 1925 (ch. 301,

43 Stat. 964), as amended by the Act of June 23, 1930 (ch. 573, 46 Stat. 799), and the provisions of said Act shall apply to such additional commissioners in all respects as if they had been appointed thereunder without limitation as to nature of duties which they may be called upon to perform.

(b) The Court of Claims, on motion of either of the parties, or on its own motion, may summon any and all persons with legal capacity to be sued to appear as a party or parties in any suit or proceeding of any nature whatsoever pending in said court to assert and defend their interests, if any, in such suits or proceedings, within such period of time prior to judgment as the Court of Claims shall prescribe. If the name and address of any such person is known or can be ascertained by reasonable diligence, and if he resides within the jurisdiction of the United States, he shall be summoned to appear by personal service; but if any such person resides outside of the jurisdiction of the United States, or is unknown, or if for any other good and sufficient reason appearing to the court personal service cannot be had, he may be summoned by publication, under such rules as the court may adopt, together with a copy of the summons mailed by registered mail to such person's last known address. The Court of Claims may, upon motion of the Attorney General, in any suit or proceeding where there may be any number of persons having possible interests therein, notify such persons to appear to assert and defend such interests. Upon failure so to appear, any and all claims or interests in claims of any such person against the United States, in respect of the subject matter of such suit or proceeding, shall forever be barred and the court shall have jurisdiction to enter judgment *pro confesso* upon any claim or contingent claim asserted on behalf of the United States against any person who, having been duly served with summons, fails to respond thereto, to the same extent and with like effect as if such person had appeared and had admitted the truth of all allegations made on behalf of the United States. Upon appearance by any person pursuant to any such summons or notice, the case as to such person shall, for all purposes, be treated as if an independent proceeding had been instituted by such person pursuant to section 145 of the Judicial Code, as amended, and as if such independent proceeding had then been consolidated, for purposes of trial and determination, with the case in respect of which the summons or notice was issued, except that the United States shall not be heard upon any counterclaims, claims for damages or other demands whatsoever against such person, other than claims and contingent claims for the recovery of money hereafter paid by the United States in respect of the transaction or matter which constitutes the subject matter of such case, unless and until such person shall assert therein a claim, or an interest in a claim, against the United States, and the Court of Claims shall have jurisdiction to adjudicate, as between any and all adverse claimants, their respective several interests in any matter in suit and to award several judgments in accordance therewith.

(c) The jurisdiction of the Court of Claims shall not be affected by this Act except to the extent necessary to give effect to this Act, and no person shall recover judgment on any claim, or on any interest in any claim, in said court which such person would not have had a right to assert in said court if this section had not been enacted.

PERSONAL FINANCIAL LIABILITY

SEC. 15. (a) Whenever any payment is made from Government funds to any war contractor or other person as an advance, partial or final payment on any termination claim, or pursuant to any loan, guaranty, or agreement for the purchase of any loan, or any commitment in connection therewith, entered into by the Government, no officer or other Government agent authorizing or approving such payment or settlement, or certifying the voucher for such payment, or making the payment in accordance with a duly certified voucher, shall be personally liable for such payment, in the absence of fraud on his part. In settling the accounts of any disbursing officer the General Accounting Office shall allow any such disbursements made by him notwithstanding any other provisions of law.

(b) For the purpose of making termination settlements or interim financing any Government agency is authorized to rely upon such certificates of war contractors as it deems proper and to permit war contractors and other persons to rely upon such certificates without financial liability in the absence of fraud on their part.

THE GENERAL ACCOUNTING OFFICE

SEC. 16. (a) Any other provision of law notwithstanding, the function of the General Accounting Office with respect to any termination settlement made, authorized, ratified, or approved by a contracting agency shall be confined to determining, after final settlement, (1) whether the settlement payments to the war contractor were made in accordance with the settlement, and (2) whether the records transmitted to it, or other information, warrant a reasonable belief that the settlement was induced by fraud. For this purpose the General Accounting Office shall have the authority to examine any records maintained by any contracting agency or by any war contractor relating to any termination settlement.

(b) Whenever the Comptroller General is convinced that any settlement was induced by fraud, he shall so certify, together with all the facts relating thereto, to the Department of Justice, to the Director, and to the contracting agency concerned. Upon receipt of such certificate (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in the opinion of the Comptroller General as stated in his certificate, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor. The General Accounting Office shall not suspend credit to any disbursing officer on any disbursements made by him under such settlement in the absence of fraud on his part.

(c) The Comptroller General may investigate the settlements completed by each contracting agency for the purpose of reporting to the Congress from time to time on—

(1) whether the settlement methods and procedures employed by such agency are of a kind and type designed to result in expeditious and fair settlements in accordance with and subject to the provisions of this Act and the orders and regulations of the Director;

(2) whether such methods and procedures are followed by such agency with care and efficiency; and

(3) whether such methods and procedures adequately protect the interest of the Government.

If in any such report the Comptroller General shall find that the settlement methods and procedures fail to meet the foregoing standards, he shall make suggestions and recommendations to such agency for the improvement of such methods and procedures and to the Congress for any additional legislation needed to carry out the policies of this Act. At least thirty days before filing any such report with the Congress, the Comptroller General shall deliver a copy thereof to the agency concerned and the Director, and shall forward to the Congress together with such report any comments of such agency with respect thereto.

(d) The jurisdiction of the Comptroller General of the United States shall not be affected by this Act except to the extent necessary to give effect to the specific provisions thereof.

DEFECTIVE, INFORMAL, AND QUASI CONTRACTS

SEC. 17. (a) Where any person has arranged to furnish or furnished to a contracting agency or to a war contractor any materials, services, or facilities related to the prosecution of the war, without a formal contract, relying in good faith upon the apparent authority of an officer or agent of a contracting agency, written or oral instructions, or any other request to proceed from a contracting agency, the contracting agency shall pay such person fair compensation therefor.

(b) Whenever any formal or technical defect or omission in any prime contract, or in any grant of authority to an officer or agent of a contracting agency who ordered any materials, services, and facilities might invalidate the contract or commitment, the contracting agency (1) shall not take advantage of such defect or omission; (2) shall amend, confirm, or ratify such contract or commitment without consideration in order to cure such defect or omission; and (3) shall make a fair settlement of any obligation thereby created or incurred by such agency, whether expressed or implied, in fact or in law, or in the nature of an implied or quasi contract.

(c) Where a contracting agency fails to settle by agreement any claim asserted under this section, the dispute shall be subject to the provisions of section 13 of this Act.

(d) The Director shall require each contracting agency to formalize all such obligations and commitments within such period as the Director deems appropriate.

RECORDS, FORMS, AND REPORTS

SEC. 18. (a) The Director shall establish policies for such supervision and review within the contracting agencies of termination settlements and interim financing as he deems necessary and appropriate to prevent and detect fraud and to assure uniformity in admin-

istration and to provide for expeditious settlements. For this purpose he shall prescribe (1) such records to be prepared by the contracting agencies and by war contractors as he deems necessary in connection with such settlements and interim financing; and (2) the records in connection therewith to be transmitted to the General Accounting Office. He shall seek to reduce the amount of record keeping, reporting, and accounting in connection with the settlement of termination claims and interim financing to the minimum compatible with the reasonable protection of the public interest. Each contracting agency shall prescribe forms for use by war contractors in connection with termination settlements and interim financing to the extent it deems necessary and feasible.

(b) The Director shall require the Government agencies performing functions under this Act to prepare such information and reports regarding terminations of war contracts, settlements of termination claims, and interim financing, as he deems necessary to assist him in appraising their operations or to assist him or other Government agencies in performing their functions under this Act, and may prescribe the terms and conditions upon which such information and reports shall be made available to other Government agencies. The Director may require any Government agency to furnish such information under its control as he deems necessary for the performance of his functions under this Act, but any such agency, in its discretion, may furnish any such information deemed by it to affect the national security only to the Director himself.

(c) The Director, by regulation, shall provide for making available to any interested Government agency such advance notice and other information on cut-backs in war production resulting from terminations or failures to renew or extend war contracts, as he deems necessary and appropriate.

(d) The Director shall make such investigations as he deems necessary or desirable in connection with termination settlements and interim financing. For this purpose he may utilize the facilities of any existing agencies and if he determines that the facilities of existing agencies are inadequate, he may establish a unit in the Office of Contract Settlement to supplement and facilitate the work of existing agencies. He shall report to the Department of Justice any information received by him indicating any fraudulent practices, for appropriate action.

(e) Whenever any contracting agency or the Director believes that any settlement was induced by fraud, the agency or Director shall report the facts to the Department of Justice. Thereupon, (1) the Department of Justice shall make an investigation to determine whether such settlement was induced by fraud, and (2) until the Department of Justice notifies the contracting agency that in its opinion the facts do not support the belief that the settlement was induced by fraud, the contracting agency, by set-off or otherwise, may withhold, from amounts owing to the war contractor by the United States under such settlement or otherwise, the amount of the settlement, or the portion thereof, which, in its opinion, was affected by the fraud. In any such case the Department of Justice shall take such action as it deems appropriate to recover payments made to such war contractor.

PRESERVATION OF RECORDS; PROSECUTION OF FRAUD

SEC. 19. (a) It shall be unlawful for any person willfully to secrete, mutilate, obliterate, or destroy, or cause to be secreted, mutilated, obliterated, or destroyed—

(i) any records of a war contractor relating to the negotiation, award, performance, payment, interim financing, cancellation or other termination, or settlement of a war contract of \$25,000 or more; or

(ii) any records of a war contractor and any purchaser relating to any disposition of termination inventory in which the consideration received by any war contractor or any Government agency is \$5,000 or more,

until (1) five years after such disposition of termination inventory by such war contractor or Government agency, or (2) five years after the final settlement of such war contract, or (3) five years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress, whichever applicable period is longer.

As used in this subsection, the term "records" includes, but is not limited to, books, ledgers, checks and check stubs, pay-roll data, vouchers, memoranda, correspondence, inspection reports and certificates. Any corporation violating any provision of this subsection shall be fined not more than \$50,000 and any natural person violating any provision of this subsection shall be fined not more than \$10,000, or imprisoned for not more than five years, or both: *Provided, however*, That the Director, by regulation, may authorize the destruction of such records upon such terms and conditions as he deems appropriate, which may include the making and retaining of photographs or microphotographs. Photographs or microphotographs of any records made in compliance with such regulations of the Director shall have the same force and effect as the originals thereof would have and shall be treated as originals for the purpose of admissibility in evidence.

(b) The first section of the Act of August 24, 1942 (56 Stat. 747; title 18, U. S. C., Supp. II, sec. 590a), is amended to read as follows:

"The running of any existing statute of limitations applicable to any offense against the laws of the United States (1) involving defrauding or attempts to defraud the United States or any agency thereof whether by conspiracy or not, and in any manner, or (2) committed in connection with the negotiation, procurement, award, performance, payment for, interim financing, cancellation or other termination or settlement, of any contract, subcontract, or purchase order which is connected with or related to the prosecution of the present war, or with any disposition of termination inventory by any war contractor or Government agency, shall be suspended until three years after the termination of hostilities in the present war as proclaimed by the President or by a concurrent resolution of the two Houses of Congress. This section shall apply to acts, offenses, or transactions where the existing statute of limitations has not yet fully run, but it shall not apply to acts, offenses, or transactions which are already barred by provisions of existing law."

(c) (1) Every person who makes or causes to be made, or presents or causes to be presented to any officer, agent, or employee of any Government agency any claim, bill, receipt, voucher, statement, account, certificate, affidavit, or deposition, knowing the same to be false, fraudulent, or fictitious or knowing the same to contain or to be based on any false, fraudulent, or fictitious statement or entry, or who shall cover up or conceal any material fact, or who shall use or engage in any other fraudulent trick, scheme, or device, for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit, payment, compensation, allowance, loan, advance, or emolument from the United States or any Government agency in connection with the termination, cancelation, settlement, payment, negotiation, renegotiation, performance, procurement, or award of a contract with the United States or with any other person, and every person who enters into an agreement, combination, or conspiracy so to do, (1) shall pay to the United States an amount equal to 25 per centum of any amount thereby sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any such benefit, payment, compensation, allowance, loan, advance, and emolument received as a result thereof and (3) shall in addition pay to the United States the sum of \$2,000 for each such act, and double the amount of any damage which the United States may have sustained by reason thereof, together with the costs of suit.

(2) The several district courts of the United States, the District of Columbia, the several district courts of the Territories of the United States, within whose jurisdictional limits the person, or persons, doing or committing such act, or any one of them, resides or shall be found, shall, wheresoever such act may have been done or committed, have full power and jurisdiction to hear, try, and determine such suit, and such person or persons as are not inhabitants of or found within the district in which suit is brought may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct.

(d) The provisions of section 35-A of the Criminal Code (18 U. S. C., sec. 80) shall apply to any statement, representation, bill, receipt, voucher, roll, account, claim, certificate, affidavit, or deposition made or used or caused to be made or used for any purpose under this Act or under any regulations pursuant to this Act.

(e) It shall be unlawful for any person employed in any Government agency, including commissioned officers assigned to duty in such agency, during the period such person is engaged in such employment or service, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States, or for any such person within two years after the time when such employment or service has ceased, to prosecute, or to act as counsel, attorney, or agent for prosecuting, any claim against the United States involving any subject matter directly connected with which such person was so employed or performed duty. Any person violating any provision of this subsection shall be fined not more than \$10,000 or imprisoned for not more than one year, or both.

GENERAL PROVISIONS

SEC. 20. (a) Each contracting agency shall have authority, notwithstanding any provisions of law other than contained in this Act, (1) to

make any contract necessary and appropriate to carry out the provisions of this Act; (2) to amend by agreement any existing contract, either before or after notice of its termination, on such terms and to such extent as it deems necessary and appropriate to carry out the provisions of this Act; and (3) in settling any termination claim, to agree to assume, or indemnify the war contractor against, any claims by any person in connection with such termination claims or settlement. This subsection shall not limit or affect in any way any authority of any contracting agency under the First War Powers Act, 1941, or under any other statute.

(b) Any contracting agency may prescribe the amount and kind of evidence required to identify any person as a war contractor, or any contract, agreement, or purchase order as a war contract for any of the purposes of this Act. Any determination so made that any person is a war contractor, or that any contract, agreement, or purchase order is a war contract, shall be final and conclusive for any of the purposes of this Act.

(c) There are hereby authorized to be appropriated such sums as may be necessary for administering the provisions of this Act.

(d) All policies and procedures relating to termination of war contracts, termination settlements, and interim financing, prescribed by the Director of War Mobilization or any contracting agency, in effect upon the effective date of this Act, and not inconsistent with this Act, shall remain in full force and effect unless and until superseded by the Director in accordance with this Act, or by regulations of the contracting agency not inconsistent with this Act or the policies prescribed by the Director.

(e) Nothing in this Act shall be deemed to impair or modify any war contract or any term or provision of any war contract or any assignment of any claim under a war contract, without the consent of the parties thereto, if the war contract, or the term, provision, or assignment thereof, is otherwise valid.

(f) Any contracting agency may authorize or direct its officers and employees, as a part of their official duties, to advise, aid, and assist war contractors in preparing and presenting termination claims, in obtaining interim financing, and in related matters, to such extent as it deems desirable. Such advice, aid, or assistance shall not constitute a violation of section 109 of the Criminal Code (18 U. S. C. 198) or of any other law, provided the officer or employee does not receive therefor benefit or compensation of any kind, directly or indirectly, from any war contractor.

(g) The Smaller War Plants Corporation is hereby directed—

(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this Act and the regulations of the Director; and

(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guaranties, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

OTHER FUNCTIONS OF THE DIRECTOR

SEC. 21. In addition to his other functions under this Act, the Director shall—

(a) promote the training of personnel for termination settlements and interim financing by contracting agencies, war contractors, and financing institutions;

(b) collaborate with the Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing;

(c) promote decentralization of the administration of termination settlements and interim financing by fostering delegation of authority within contracting agencies and to war contractors, to the extent he deems necessary and feasible; and

(d) consult with war contractors through advisory committees or such other methods as he deems appropriate.

USE OF APPROPRIATED FUNDS

SEC. 22. Any contracting agency is authorized—

(a) to use for interim financing, the payment of claims, and for any other purposes authorized in this Act any funds which have heretofore been appropriated or allocated or which may hereafter be appropriated or allocated to it, or which are or may become available to it, for such purposes or for the purposes of war production or war procurement;

(b) to use any such funds appropriated, allocated, or available to it for expenditures for or in behalf of any other contracting agency for the purposes authorized in this Act; and

(c) to determine by agreement, joint estimate, or any other method authorized by the Director, the part of any expenditure made pursuant to subsection (b) hereof to be paid by each contracting agency concerned and to make transfers of funds between such contracting agencies accordingly. Transfers of funds between appropriations carried upon the books of the Treasury shall be made by the Secretary of the Treasury in accordance with joint requests of the contracting agencies involved.

DELEGATION OF AUTHORITY

SEC. 23. (a) The Director may delegate any authority and discretion conferred upon him by this Act to any Deputy Director, and may delegate such authority and discretion, upon such terms and conditions as he may prescribe, to the head of any Government agency to the extent necessary to the handling and solution of problems peculiar to that agency.

(b) The head of any Government agency may delegate any authority and discretion conferred upon him or his agency by or pursuant to this Act to any officer, agent, or employee of such agency or to any other Government agency, and may authorize successive redelegations of such authority and discretion.

(c) Any two or more Government agencies may exercise jointly any authority and discretion conferred upon each of them individually by or pursuant to this Act.

(d) Nothing in this Act shall prevent the Director from exercising any authority conferred upon him by any other statute.

APPLICABILITY

SEC. 24. (a) This Act shall become effective twenty days after the date of its enactment. With the exception of the provisions of paragraphs (b), (c), (d), and (e) of section 12, and of sections 6, 7, 8, 9, 10, and 13, this Act shall be applicable in the case of any terminated war contract which has been finally settled at or before the effective date of this Act.

(b) Nothing in this Act shall limit or affect any authority conferred by the Act of March 11, 1941 (55 Stat. 31), as amended, or Acts supplemental thereto.

SEC. 25. Subject to policies prescribed by the Director, any contracting agency may exempt from some or all of the provisions of this Act (a) any war contract made or to be performed outside the continental limits of the United States or in Alaska, or (b) any termination inventory situated outside of the continental limits of the United States or in Alaska, or (c) any modification of a war contract pursuant to its terms for the purpose of changing plans or specifications applicable to the work without substantially reducing its extent.

SEPARABILITY OF PROVISIONS

SEC. 26. If any provision of this Act, or the application of such provision to any person or circumstance, is held invalid, the remainder of this Act or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SHORT TITLE

SEC. 27. This Act may be cited as the "Contract Settlement Act of 1944".

Approved July 1, 1944.

